

Plan of the Alliance for Prosperity in the Northern Triangle: A Road Map

Regional Plan Prepared by
El Salvador, Guatemala and Honduras

September, 2014



Table of Contents

Executive Summary

Introduction

I. The Countries of the Northern Triangle: Main Development Challenges

II. Strategic Lines of Action

A. Stimulate the Productive Sector to Create Economic Opportunities

- i. Promoting strategic sectors and attracting investment
- ii. Reducing energy costs and ensuring reliability of electricity supply
- iii. Modernizing and expanding infrastructure and logistical corridors
- iv. Coordinating border management
- v. Encouraging international trade

B. Developing Opportunities for Our People

- i. Tightening links between labor supply and demand from businesses
- ii. Building human capital

C. Improving Public Safety and Enhancing Access to the Legal System

- i. Boosting programs to prevent violence
- ii. Strengthening institutions responsible for public safety
- iii. Modernizing the justice system

D. Strengthening institutions to increase people's trust in the State

- i. Ensuring the State's financial capacity
- ii. Increasing transparency

III. Implementing the Plan of the Alliance for Prosperity in the Northern Triangle

- i. Territorial focus and regional coordination
- ii. Financing
- iii. Executing the Plan
- iv. Assessment and follow-up

IV. Annexes



Executive Summary

In recent years the countries of the Northern Triangle -El Salvador, Guatemala and Honduras- have confronted a constant and growing flow of emigration. Nearly 9% of our population has decided to leave, resulting in a major loss of human capital. For the most part, this flight of our people stems from the lack of economic and job opportunities in our countries, growing violence, and the departure of those who want to reunite with relatives living abroad.

Responding to the recent immigration crisis that resulted in the dramatic increase in emigration of unaccompanied minors to the United States in 2014, we have taken immediate measures to ensure the human rights of our minors, help people who have returned to reintegrate into society, and dismantle human trafficking rings.

Although we have made some progress in improving the quality of life of our citizens, our efforts have not been enough to bring about a substantial increase in opportunities and progress for our people, and to offer them a higher quality of life that will keep them from leaving.

The low and not-very-inclusive economic growth we have experienced until now has not generated enough jobs to keep pace with our growing population. Low investment levels, coupled with high costs of electricity and logistics and problems with Internet connectivity are just some of the pressing development challenges that affect our competitiveness and our prospects for boosting the growth of our economies.

This is in addition to our limited supply and quality of services in education, healthcare, nutrition and child development, which is putting our children at risk and jeopardizing their ability to prosper. This grim outlook for present and future generations has left our people with no choice but to emigrate, remain trapped in cycles of poverty or, in the worst-case scenario, become involved in criminal activities.

Our economic and social challenges have been worsened by rampant violence and insecurity and by the impact of natural disasters that our countries have endured. There is, moreover, no doubt that the financial and management capability of our states has been seriously limited by low tax

revenues, a public expenditure that has limited impact and the growing burden of government debt.

This complex situation that we confront requires short- and medium-term responses and measures that attack the structural causes of the problem. We are convinced that the only way to achieve this is if we concentrate our efforts on creating economic and social conditions that will help increase employment and improve life prospects, especially for our young people, girls and boys.

We, the countries of the Northern Triangle, have agreed on the guidelines of a plan of the Alliance for the prosperity of the Northern Triangle that will direct the priority measures that we will undertake over the medium term to create development conditions that will allow people to keep living in our countries.

The strategic actions of the Plan aim to:

- A. Stimulate the productive sector to create economic opportunities
- B. Develop opportunities for our people
- C. Improve public safety and enhancing access to the legal system
- D. Strengthen institutions to increase people's trust in the State

Stronger growth in our economies requires attracting private investment, promoting certain sectors with development potential and concentrating activities in strategic geographical areas. This will be possible only if at the same time we undertake measures and carry out projects to reduce energy costs, make essential investments to improve infrastructure and logistics, and facilitate trade in a more integrated fashion. Also, these investments and measures must be concentrated in areas and regions that can become future centers that drive development.

Our people's investment opportunities and improving their quality of life will be achieved only if their skills are fully developed. Labor supply and demand from businesses must be more tightly linked. We also need more effective vocational training, greater access to and better quality secondary education, and more investment in children, the human capital of the future.

Improving public safety and access to justice are essential for our people to live together in peace and for promoting private investment. We need to do more to prevent violence, make schools safe, and protect at-risk youths. We must also strengthen government institutions and the justice system so as to attack the roots of the problems of violence and lack of safety that we endure. All of these measures will complement the efforts that we make to fight drug trafficking and organized crime.

Successful implementation of the Plan requires handling of our resources in a way that is transparent and coordinated. Public spending must be more efficient and more effective. At the same time, it is necessary to improve the financial management of the public sector by improving our budgetary procedures and how the budget is executed. Our tax system must be modernized so as to bring in more revenue. Financial management must also be modernized so as to introduce new tools for financing and debt management. This will enable us to guarantee economic sustainability, have more resources for investment, and reduce wasteful spending.

Teaming up with the private sector to promote their investments and with the international community will be essential to give the Plan greater viability in terms of financing and execution.

Achieving the goals we have set out in the Plan is ambitious but possible. It is backed up by commitment and political will from our countries to work together to achieve a better future for our people and take the steps necessary for our financial resources to be channeled toward paying for the Plan.

The starting point for implementing the Plan will be to use projects and activities that we have already initiated in several areas and which have begun to bear fruit. We will further develop the Plan in such a way as to give the programs a territorial focus. We will also seek regional coordination and a flexible execution scheme that channels domestic and external resources. Also necessary is a financial scheme with a well-defined program that establishes and puts into practice tools for monitoring and evaluation.

We hope that our commitment to developing our countries, laid out here in the details of the Plan, will be met with support from our development partners, other countries, the private sector, civil society and donors.

Introduction

In recent years the countries of the Northern Triangle - El Salvador, Guatemala and Honduras - have confronted a constant and growing flow of emigration, in which nearly 9% of the population has decided to leave, resulting in a major loss in our human capital. Most of them were males and females aged 15 to 30 seeking work that would provide them with a higher standard of living and greater opportunities for their children. Each year an estimated 100,000 Central Americans migrate to the United States, and nearly 60% of those who resided there in 2012 did not have legal residency.¹

This phenomenon came into sharper focus in 2014 because of a significant rise in the flow of minors who arrived in the United States without residency permits and unaccompanied by an adult. As of August 31 of this year,² 50,303 children from our three countries were detained at the US border – more than 15 times the figure for 2009. This migration crisis has shed light on an elaborate scheme of human trafficking and violation of human rights of our migrant population

This situation has triggered an intense debate on the issue of migration. In our region it prompted us to take immediate steps toward guaranteeing the human rights of our minors, reviewing mechanisms now in place for helping deported migrants retake their place in society, and intensifying the application of measures to dismantle human trafficking rings. Specifically, we acted in six areas: (i) protection and care for people detained in the United States; (ii) receiving and caring for returning children and adolescents; (iii) social rehabilitation and integration; (iv) consular attention for migrants in transit; (v) public awareness campaigns y (vi) guarding border crossings.

As for protection and care for people detained in the United States, we improved our consular staff's access to centers for detention, processing, and shelters in Arizona, Texas, and New Mexico. We also established mechanisms to make it possible for children and adolescents to communicate with their families and we coordinated with community-based organizations and aid agencies to provide medical, legal, psychological, and educational support. At the same time, we continued to expand our network of consulates in the United States, and Mexico, enhancing their dealings, particularly in tasks of social protection.

With regard to receiving and caring for children and adolescents who have returned, we adopted emergency plans that included immediately bringing children into social protection programs, setting up physical space for improved care, training staff in the particular needs of these children, and establishing care protocols that ensured the safety and wellbeing of the minors.

The facilitation of social rehabilitation and integration of returning migrants was strengthened by reinforcing the functions of the migrant care centers with regard to registration, helping returning migrants in finding a job or starting a business, and accompanying them in the reinsertion process.

¹ According to the American Community Survey (Census Bureau), migrants from El Salvador total 1.3 million, Guatemalans total nearly 900,000 and Hondurans 536,000.

² The figure refers to the US fiscal year 2014, which runs from October 1, 2013 to August 31, 2014.

Our consular networks in Mexico to improve attention for migrants in transit were strengthened by providing documentation for travelers, ensuring proper conditions for their return and coordinating with civil society organizations to ensure that migrants' rights were respected.

At the same time the three countries launched public awareness campaigns to warn people of the risks of the dangerous trip north and we increased staff and money earmarked for guarding and monitoring border crossings, specifically those known as “blind spots”, with special emphasis in dismantling rings of human traffickers.

But it is clear that the factors which caused thousands of our children and their relatives to emigrate are not rooted in short-term circumstances. Rather, they stem from a context which for many years has failed to provide people with the economic and social opportunities that would allow them to prosper and aspire to a better life in our countries. The lack of well-paying jobs, the absence of educational and employment opportunities for young people, high rates of malnutrition, extreme poverty, inequality and rising crime have forced our families to look elsewhere for a brighter future.

Over the past two decades we have made progress in some areas through policies and programs designed to improve the quality of life of our people. However, the pace at which we have moved forward has clearly not been fast enough to generate a substantial change in the life prospects for a population that includes a large and growing number of young people. We believe that maintaining the status quo is not going to yield the quantitative and qualitative leap that we need in order to put our countries on a more encouraging economic and social path.

The intensity of the problems that we are enduring today will be even greater tomorrow if we do not move faster to achieve concrete results that produce real improvement in the prospects for employment, revenue, and social well-being in our countries. That means taking full advantage of a regional platform for addressing shared obstacles to economic and productive development, increasing the mobilization of domestic resources, establishing strategic alliances with the private sector and working in ways which ensure that our goals are met.

As a result of dialogue among our three countries, we have agreed on guidelines for the Plan of the Alliance for the Prosperity of the Northern Triangle that identify high-priority measures over the medium term to help accelerate development in our region. The Plan is backed up by a serious financial commitment and a pledge by our governments to undertake measures to create opportunities for employment and quality of life. The Plan strengthens our dedication to integration and development, with a view to making the Northern Triangle a worthy and prosperous home for our citizens.

I. The Countries of the Northern Triangle: Main Development Challenges

- 1.1 Lack of job opportunities, violence, and family reunification have been the main drivers of migration from our region. Recent surveys identify violence as the most cited reason for the migration of minors, followed by lack of employment opportunities. Only 14% of those surveyed mentioned family reunification as the main reason to migrate. Adult migrants also mention these three factors as the main reasons to migrate, but lack of economic opportunities is the most cited.³
- 1.2 The region's meager growth has limited the opportunities for our population. After the period of macroeconomic instability that characterized the eighties, growth in our countries accelerated. Structural reforms implemented in the nineties⁴ and greater openness to trade allowed the GDP of our countries to grow at an average annual rate of 3.5% in the period 1990-2013, far above the 0.5% annual average growth seen in the 1980s (See Figure 1). However, with the population increasing 2.0% per year, per capita growth is low. This has hindered job creation and the region has lagged behind other Latin American countries in per capita income.
- 1.3 Low growth has allowed for only a modest reduction in poverty and inequality. Despite a reduction in poverty rates between 2000 and 2010, more than half of the population of our countries still lives in poverty.⁵ In addition, we face major challenges in terms of income distribution, as illustrated by the fact that 20% of the wealthiest segment of population accounts for more than half of overall national income.⁶ These disparities also have a territorial dimension, as poverty rates in rural areas can surpass the national average by as much as 40%.
- 1.4 Our growth potential has been stymied by a meager capital formation and economies concentrated on productive activities that yield little added value. Over the past decade, investment in the Northern Triangle was 18% of GDP, compared to 21% in Latin America and 31% in medium- and low-income countries. This is not enough to achieve more inclusive growth in our economies. Furthermore, investment is currently directed toward relatively low value added sectors, causing economic disparities that are reflected in differences in productivity at the sector level. Lower productivity activities are the ones that absorb most employment. According to national surveys,⁷ on average more than 50% of the workforce in these countries is concentrated in activities related to commerce and agriculture, while less than 15% work in manufacturing. At the same time, our economies are characterized by a high share of employment in the informal sector-71% in El Salvador, 81% in Guatemala and 84% in Honduras, surpassing the average for Central America of 65%.⁸

³ Orozco and Yansura, "Understanding Central American Immigration" Inter-American Dialogue, August 2014

⁴ Highlights include processes of financial liberalization which sped up growth in the banking and insurance sectors, as well as the rise of stock markets, non-banking financial intermediaries and investments funds.

⁵ Poverty rates in El Salvador, Honduras and Guatemala were 42.5%, 66.3% and 53.7% respectively. Source: "Central America in the New Millennium. Six Different Stories of Poverty and Inequality".

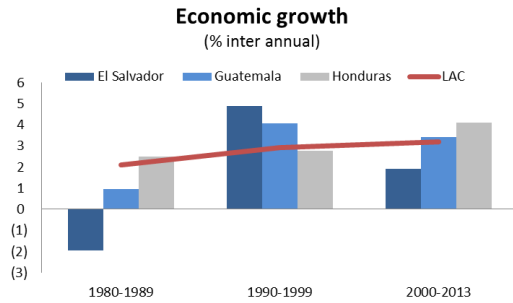
⁶ ECLAC, 2014.

⁷ Source: IDB, labor market indicators, 2014.

⁸ Source: LMK harmonized indicators, IDB, 2012. Central America does not include Belize.

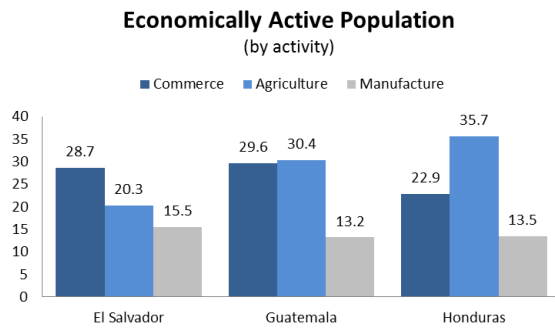
Figure 1: Economic growth and productive structure

The economic growth of the region has increased relative to the 80's...



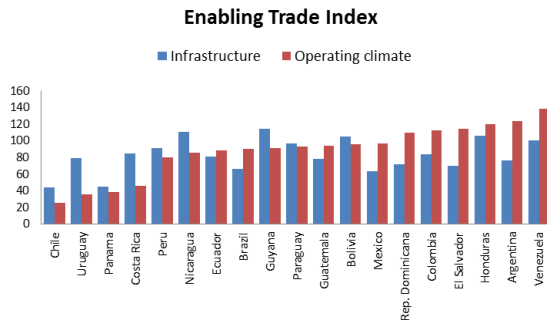
Source: World Bank, 2014

Employment is concentrated in agriculture and commerce...



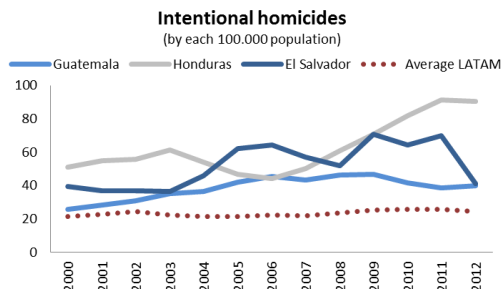
Source: Household surveys

Lags in infrastructure and business climate...



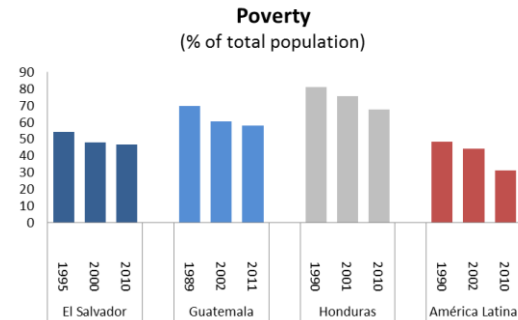
Source: World Economic Forum, 2014

...and high rates of violence...



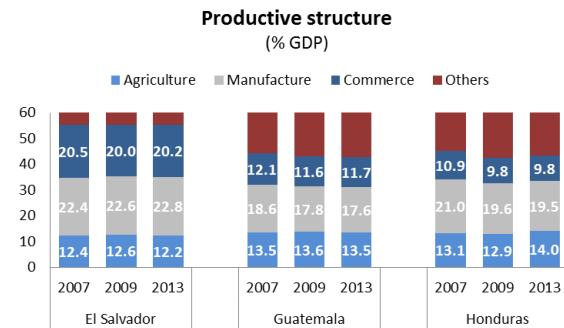
Source: IADB, 2014

...but its impact over poverty rates is limited.



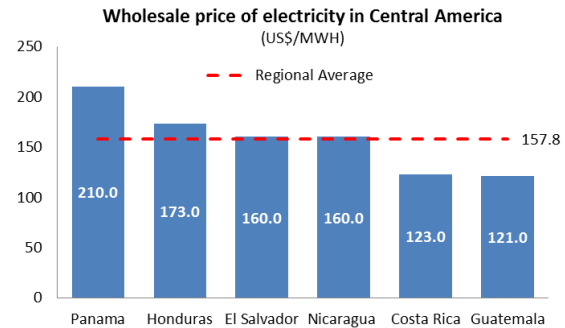
Source: ECLAC, 2014

...activities with low added value.



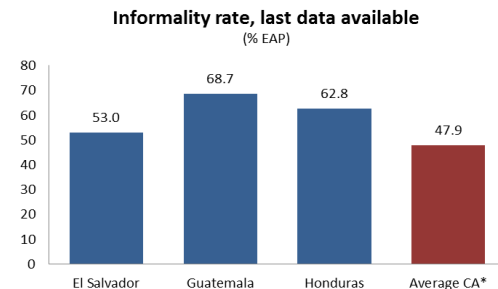
Source: Central Banks, 2012

...high cost of electricity...



Source: ECA, 2014

...hinder the development of productive activities in the formal sector.



Source: World Bank, 2014

- 1.5 Low-quality infrastructure, high energy costs and limited connectivity have made it difficult to attract more investment to the region. Energy costs are the highest in Latin America⁹ because of our heavy reliance on fossil fuels to generate electricity.¹⁰ In addition, the quality and coverage of our transportation and logistics infrastructure¹¹, as well as fragmented custom management¹² levy additional costs to our production, reducing our competitiveness. Our connectivity also affects our competitiveness, given the slow and expensive Internet and connectivity services, which makes it hard to narrow technological gaps.¹³
- 1.6 The creation of well-paying jobs has not kept pace with population growth, which limits the benefits of investing in human capital. The proportion of people of working age¹⁴ has risen steadily since 1970,¹⁵ reaching nearly 60% of the population in 2013. Unemployed youths make up a large percentage of total unemployment. In Guatemala and Honduras, they account for more than half of all jobless people, while in El Salvador they exceed 40%. The proportion of young people that neither study nor work (known as *ninīs* in Spanish) in our countries is the highest in all of Latin America, reaching levels of as much as 30%¹⁶ (See Figure 2). The lack of access to jobs that are formal, stable and well-paid in our region has led to high rates of underemployment, affecting a considerable proportion of the working age population. In 2013, the rate of visible underemployment¹⁷ in El Salvador reached nearly 30% while in Guatemala and Honduras it came close to 15% and 12%, respectively.
- 1.7 Limited access to and poor quality of public secondary education has resulted in a workforce with few skills. The workforce in Honduras has on average six years of schooling, while in Guatemala and El Salvador the figure is seven and eight years, respectively,¹⁸ below the average of other countries in the region. This situation is derived from low secondary school enrollment where the drop-out rate at this level is the highest in the region, in excess of 15%.¹⁹ The gross enrollment ratio in Honduras and El Salvador is under 30%, below those of Costa Rica, Ecuador and Bolivia. Our education systems have low internal efficiency, low quality primary education and low levels of pre-school education.²⁰ All of this is made worse by limited education infrastructure and scant teacher training.²¹

⁹ The average industrial electricity rate in the Northern Triangle exceeds 19 cents per Kwh, compared to 12 cents per Kwh in Colombia and 10 cents in Mexico.

¹⁰ A total of 46% of production comes from this source.

¹¹ See Enabling Trade Index 2014. Out of a list of 138 rankings, Guatemala is 62nd, El Salvador 71st and Honduras 85th.

¹² The factors assessed in this case include the quality of air transport, airport, port and rail infrastructure, maritime connectivity, the percentage of paved roads and the efficiency of the postal service

¹³ The Northern Triangle has a connection speed of 0.89 Mbps, compared with the Latin American average of 2.3 Mbps, according to “Socioeconomic Impact of Broadband in Latin American and Caribbean Countries” Technical Note, IDB, 2012. The monthly cost of broadband packages is about \$129 in Honduras, \$74 in Guatemala and \$73 in El Salvador. The average for Latin America is \$117.

¹⁴ People between 15 and 64 years of age.

¹⁵ On average, in 1970 50.5% of the population of Guatemala, El Salvador and Honduras was between the ages of 15 and 64. In 1980, 1990, 2000 and 2010, this proportion rose to 50.8%, 52.0%, 53.9% and 58.0%, respectively.

¹⁶ According to data from ECLAC, (Latin American Social Outlook 2010), the internal rate of return on secondary education in Guatemala is the highest in Latin America (12.4%), followed by Honduras (10.9%) while in El Salvador it is 7.1%. The average for Latin America is 7.6%.

¹⁷ People who work fewer than 35 hours a week in their main job for involuntary reasons, wish to work more hours and are available to do so but do not find more paid work or more independent employment.

¹⁸ Labor Market Indicators, IDB, 2014.

¹⁹ International Labor Organization, ILO.

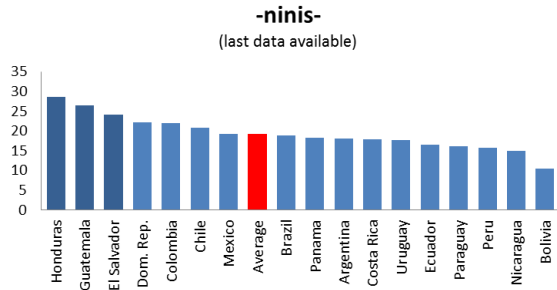
²⁰ According to ECLAC, Honduras is the country with the lowest net rate of pre-school enrollment at just 32%, while that of Costa Rica is 74%

²¹ More Growth, More Equality, IDB.

Figure 2: Investment in Human Capital

The lack of opportunities discourages young people to look for work and to invest in human capital

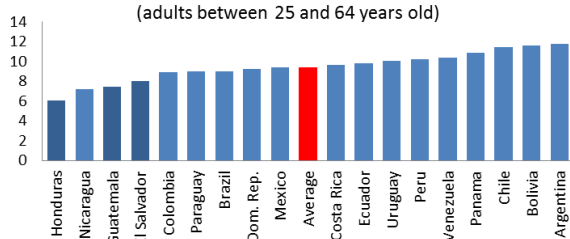
Young people who neither study nor work



Source: IADB, 2014

...and is reflected in low levels of schooling compared with the rest of Latin America.

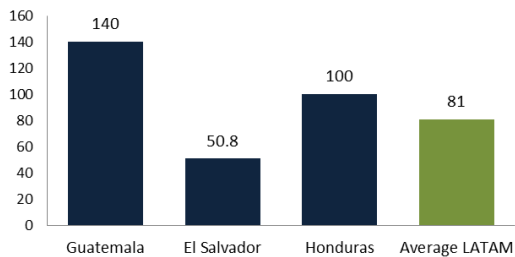
Average years of education of the Economically Active Population



Source: IADB, 2014

...and in the infant-mother health...

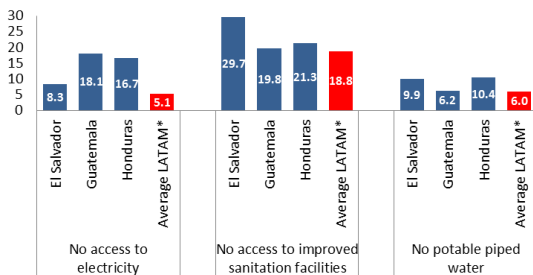
Mother Mortality Rate
(by each 100.000 new borns)



Source: World Bank, 2014 and ECLAC, 2014

...with restricted access to utilities.

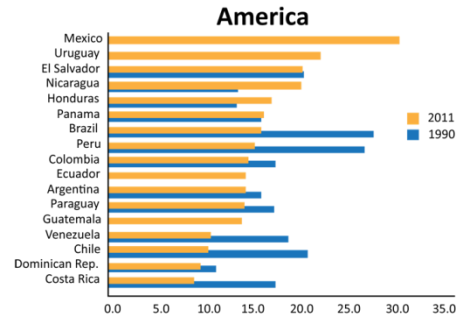
Access to utilities



Source: World Bank, 2014

..which is associated with high dropout rates in secondary schools...

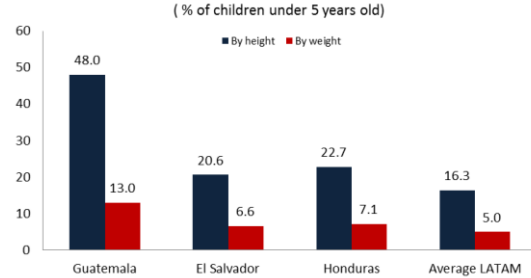
High school dropout in Latin America



Source: IADB, 2014

Besides, the deficiencies in the attention in early childhood

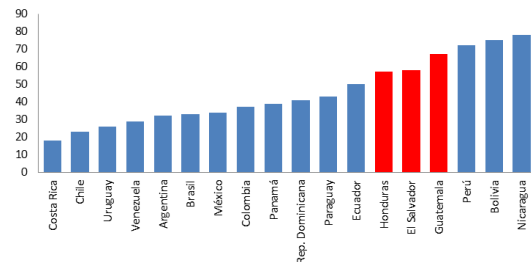
Desnutrition by weight and height, last data available



Source: World Bank, 2014 and ECLAC, 2012

Human capital accumulation is also limited by poor housing conditions...

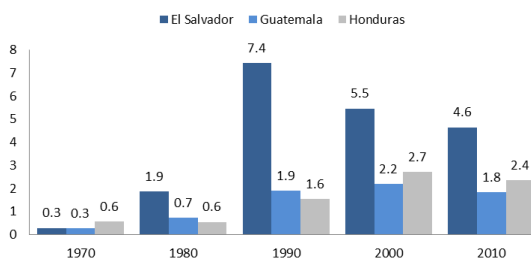
Housing Deficit
(% of households without housing or low quality)



Source: IADB, 2014

All these factors have influenced the migratory inflow.

Migratory inflow to United States
(% of total population)



Source: World Bank, 2014

- 1.8 Early childhood health care, nutrition and development services are confronted with major challenges, jeopardizing our future generations. Although we have made significant progress in some areas over the past decade, Guatemala still has the highest incidence of chronic malnutrition in all of Latin America (50%), and the situation is even worse in regions of high poverty, where seven of every 10 children are malnourished. While Honduras and El Salvador have lower incidences of chronic malnutrition, the situation in the lowest income quintile is still serious (42% and 33%, respectively). Furthermore, the average rate of teen pregnancy, which is related to the challenges of early childhood care, is 91 pregnancies for every 1,000 girls aged 15 to 19, whereas the regional average is 75.
- 1.9 In addition, access to basic services and housing, which affects well-being and quality of life, is limited. Housing conditions and related factors affect people's access to health care, nutrition and education, as well as their access to economic opportunity and vulnerability to social problems.²² Our countries suffer from a housing shortage and problems with the quality of the housing that does exist. The percentage of households that do not have a home or live in substandard housing²³ in 2012 was around 61%, compared to the average of 45% in the rest of Latin America, while in rural areas the proportion surpasses 70%. The situation is worsened by the lack of access to basic services. In El Salvador only 70% of the population has access to sewage systems, compared to 82% in Latin America.²⁴ In Guatemala and Honduras around 18% of the population lives without access to electricity, compared to 5% in Latin America as a whole.²⁵
- 1.10 High levels of violence and insecurity in our countries pose an additional obstacle to development. In the Northern Triangle we suffer from a rate of violence that is above the averages for Central America and Latin America. It is particularly high in Honduras. In 2012, the homicide rate per 100,000 inhabitants was 90 in Honduras, while in Guatemala it was 40, and 41 in El Salvador. These are above the regional average of around 25.²⁶ In 2013, there were more than 14,300 homicides, of which 90% took place in cities and towns that are the largest sources of emigration. These high levels of violence are linked to a rise in the volume of drugs passing through our countries en route to the United States and Europe and to a high level of street gang membership. The latter is blamed for around 15% of all homicides.²⁷
- 1.11 Low growth and low accumulation of human capital are further compromised by Central America's high level of vulnerability to the effects of climate change and natural disasters stemming from its geographic location. El Salvador and Guatemala are at the top of international rankings for risk from natural disasters and climate change. The Climate Risk Index 2011²⁸ placed our countries among the top 11 of all countries in the world. In Honduras, the population living in at-risk areas is greater than 50%²⁹. This vulnerability is shown in the high costs in terms of human lives and economic losses of these disasters, which have a major

²² IDB, 2014

²³ IDB (2014). Defined as featuring tenuous residency, with construction using waste materials, with earthen floors, lacking access to basic services or suffering from overcrowding.

²⁴ Data from 2013, ECLAC.

²⁵ In El Salvador, the proportion of people without electricity is 8%.

²⁶ Global Study on Homicide, United Nations Office on Drugs and Crime, 2013.

²⁷ International Narcotics Control Board, 2013

²⁸ German Watch compiles a ranking of countries based on the Climate Risk Index.

²⁹ Global Facility for Disaster Reduction and Recovery.

impact on our economies.³⁰ Therefore, there is no escaping the need to address the problem posed by the risk of disasters now and climate change in the future.

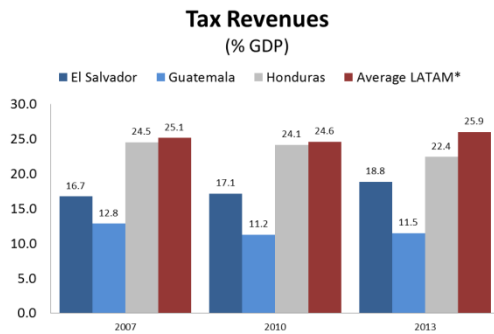
- 1.12 We need to improve infrastructure and address social needs, but our fiscal space is limited. Although we recently implemented tax reforms along with measures to improve management of public finances, these steps have not yielded the results that were expected. Fiscal revenues have remained between 10 and 14% of GDP, below the average in Latin America. Capacity for executing public investment is low, with a large percentage of the budget going to inflexible current expenditure,³¹ and few ways to assess whether spending is effective. At the same time, debt service represents an increasing share of fiscal revenues, limiting the ability to finance the investment needed for development.

³⁰ According to data from ECLA (Economic and Social Disaster Assessment Unit) the cost of the latest natural disasters in Guatemala from tropical storm Agatha and the eruption of the Pacaya volcano amounted to 2.2% of GDP, while for El Salvador, Agatha accounted for 0.5% of GDP.

³¹ On average, wages and salaries account for 7.5% of GDP. Source: Article IV for the three countries, the last publication available.

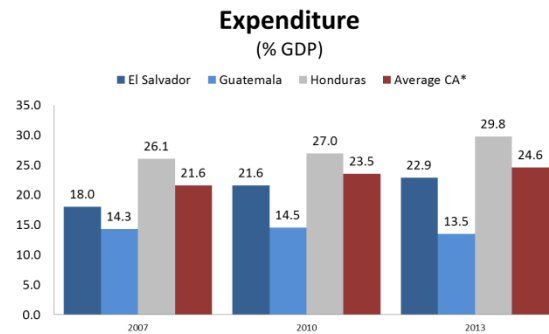
Figure 3: Fiscal Development

Fiscal revenues remain low...



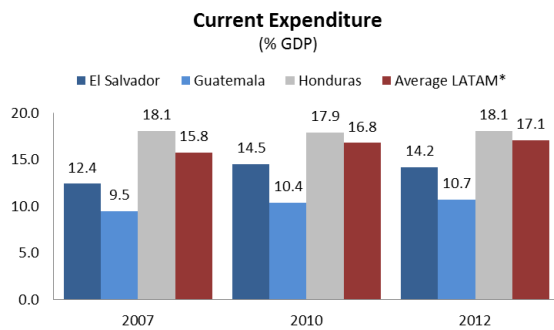
Source: World Bank, 2014

...while expenditure has increased...



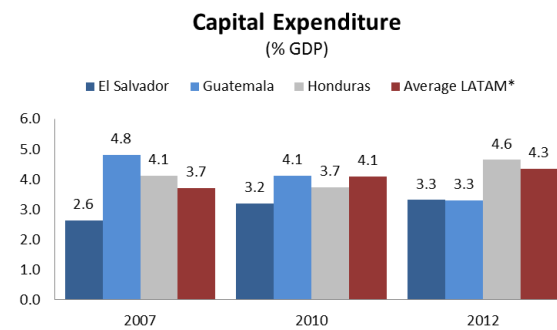
Source: World Bank, 2014

...particularly current expenditure...



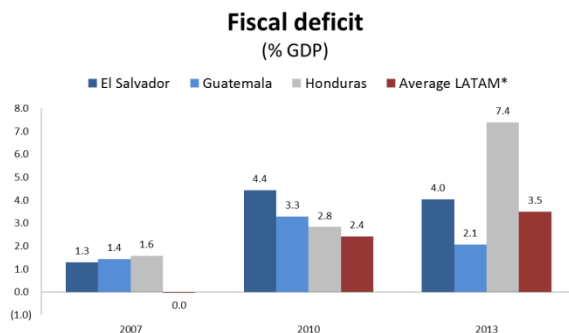
Source: ECLAC, 2014

...limiting the expansion of public investment...



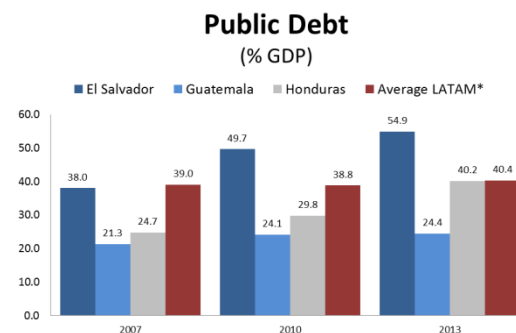
Source: ECLAC, 2014

...which has led to growing fiscal deficits...



Source: IMF (2014)

...and an increase in public debt.



Source: IMF (2014)

II. Strategic Lines of Action

- 2.1 The development challenges that we face are rooted in the particular circumstances of each of our countries, but we are in agreement on the strategic actions for addressing them. Our joint, simultaneous efforts in these areas offer us the best opportunity for generating sustainable results and transforming the fate of our region more swiftly.
- 2.2 Attracting investment and promoting strategic sectors capable of stimulating growth and creating jobs is crucial. With this goal in mind, we will make more efficient use of our regional platform to reduce energy costs that stifle our industries and the national treasury, overcome infrastructural and logistical problems that curb growth and prevent better use of the regional market, and harmonize our quality standards to put them on par with what the global market requires.
- 2.3 Success in these areas goes hand in hand with our ability to develop and protect our human resources. To achieve this we will speed up the implementation of initiatives that ensure children succeed in school from an early age and that create quality educational opportunities in line with our demographic circumstances. Only in this way will we be able to create a Twenty-First Century workforce. At the same time, we will launch initiatives aimed at providing people with the skills and knowledge they need to get good jobs.
- 2.4 Poverty, the lack of steady jobs and migration are not the only causes of the loss of our human capital. Every year many people fall victim to violence and organized crime. Therefore, we will coordinate measures to prevent violence, protect vulnerable groups, especially young people and women, and provide greater access to the justice system.
- 2.5 Boosting our citizens' trust in this initiative will depend on our ability to coordinate and speed up actions in these areas and to generate concrete results that improve their quality of life. To advance in this direction, we have carried out a detailed review of our regional and national territories to assess implementation mechanisms that will allow us to maximize the impact of public spending and achieve synergies with private investment that help generate the economic and social opportunities to which our people aspire.
- 2.6 In this spirit, we have developed the lines of a plan under which we will coordinate actions designed to:
 - A. *Stimulate the Productive Sector to Create Economic Opportunities*
 - B. *Develop Opportunities for Our People*
 - C. *Improve Public Safety and Access to The Justice System*
 - D. *Strengthen Institutions to Increase People's Trust in the State.*

A. Stimulate the Productive Sector to Create Economic Opportunities

- 2.7 In order to attract the private investment needed for the productive transformation of our region, we need measures that go beyond simply improving the operating conditions of the private sector. To develop the productive sector it is not enough just to create an adequate business environment.³² We also need to pursue an active policy of attracting private investment and promoting strategic sectors and areas.
- 2.8 We will take the measures needed to enhance the competitiveness of our countries and attract investment. We have to address problems related to the cost and reliability of electricity, so as to cut production costs and allow our companies to compete on better terms in international markets. We need to upgrade and expand our logistical infrastructure in order to secure greater access to export markets and reduce the costs of international trade. We need coordinated measures at the regional level to create a platform for an expanded market and to strengthen individual conditions of each country, attract investment and allow us real integration with the rest of the world. Our actions will focus on:

i. Promoting strategic sectors and attracting investment

- 2.9 We will focus promotional policies on specific geographic areas and strategic sectors (such as textiles, agro-industry, light manufacturing and tourism) through an approach that allows for successful integration of our firms into value chains. In particular we will implement policies that facilitate access to financing and that help promote technological improvement at the level of business management and productive processes.
- 2.10 With the goal of encouraging development in the most underdeveloped areas, we propose the creation of special economic zones that will grant preferential treatment to new investment. We expect that the companies that establish themselves in those zones will generate high quality jobs, while the State will provide the infrastructure and public services needed to stimulate economic activity. The selection of these areas and the mechanisms that we will use to attract foreign investment will be transparent and based on criteria of cost effectiveness, exploring alternative financing structures, and minimizing their fiscal cost.
- 2.11 We will seek the consolidation of an expanded market that allows the productive sector to achieve greater economies of scale and to access regional production networks. To identify and foster economies of agglomeration, information will be gathered and released on shared economic opportunities. We will support the scaling up of production processes by carrying out the necessary public investments and ensuring compliance with rules and standards. Moreover, with a view to improving the market positioning of the goods and services that come out of these regions and value chains, we will develop a certification process to verify that these companies are partners in this process.
- 2.12 Tourism is one of the regional chains that has already been singled out because of its high potential for development and job-creation in poorer areas. Investments will be made in transport within and between our countries to create regional vacation packages. We will also

³² Inter-American Development Bank, “Rethinking Productive Development. Sound Policies and Institutions for Economic Transformation.” Development in the Americas 2014, IDB Publications, Washington, DC.

strengthen protection, safety, healthcare facilities and sanitation in tourist areas, as well as their promotion on international markets.

- 2.13 Another sector with potential for generating regional value chains is agro-industry. The region's farm capacity has not been fully used due to low efficiency in production, particularly in rural areas of regions singled out for priority attention in the Plan. We have identified a series of public investments, specific to each area, that are necessary to improve this efficiency: irrigation, rural roads, storage, and weather and price data tools, among others. Another factor that has affected farm production is the sector's vulnerability to the effects of climate change and natural disasters. Therefore we will work to develop risk management tools (such as guarantees and insurance against natural disasters and climate change). Working with the private sector, we will identify regional companies that can develop chains with farm producers, relying on technical assistance to improve product quality and compliance with standards.

ii. Reducing energy costs and ensuring the reliability of electricity supply

- 2.14 To reduce energy costs and facilitate industrial development, we will broaden access to energy sources that allow for a more diversified energy matrix and integrated grids so as to increase supply as energy demand grows. A crucial element of the strategy is the consolidation of the Regional Electricity Market (REM) so as to generate the economies of scale needed to make projects economically viable. We will work on:³³ i) creating the regulatory framework necessary to allow the consolidation of the REM and the signing of long-term contracts that attract projects at the regional level with low generation costs; ii) taking the necessary actions to double the capacity of the Electrical Interconnection System of the Central American Countries (SIEPAC in Spanish); iii) investing in national upgrades of transmission networks; iv) improving the commercial measuring capacity of the Regional Transmission Network to provide certainty, accuracy and transparency to commercial energy transactions in the region; and v) encouraging agreements to introduce natural gas in the region through shared or regional infrastructure that will allow us to take advantages of this fuel for producing electricity (greater efficiency, fewer emissions, and greater diversity of supply).
- 2.15 We will also strengthen the institutional framework so that expected cuts in generation costs translate into lower energy costs. To this end, we will support the business and management skills of regulators, wholesale market operators and service providers. We will also establish balanced rate systems and mechanisms for targeted subsidies.

³³ Details of the investment program are explained in Annex 1.

iii. Modernizing and expanding infrastructure and logistics corridors

2.16 We will improve the coverage and quality of multi-modal transport infrastructure (roads, ports, airports and railways), focusing on projects that strengthen regional integration. We will also extend and upgrade the coverage of the secondary and tertiary networks, incorporating standards of adaptability to the risks of climate change. These infrastructure investments will center on nine logistics corridors because of their potential to facilitate regional trade and economic activity in our countries, which are the following:³⁴

- *The Pacific Corridor that joins Mexico to Central America via the region's west coast*
- *The Bi-Oceanic Corridor between Puerto Quetzal, Guatemala City and Puerto Barrios/Santo Tomás de Castilla*
- *The Acajutla - San Salvador – San Pedro Sula – Puerto Cortés Corridor*
- *The San Salvador branch to the Bi-Oceanic Corridor*
- *The Corridor running through Puerto Quetzal – Guatemala City – San Pedro Sula*
- *The Corridor running through Puerto Acajutla – San Salvador – Tegucigalpa*
- *The Atlantic Corridor between Managua, Tegucigalpa and Puerto Cortés*
- *The Atlantic Corridor between Belize and the Bi-Oceanic Corridor.*
- *The Agricultural Corridor between Tegucigalpa-Juticalpa-Puerto Castilla*

2.17 Infrastructure upgrades will be complemented with improvements in the institutional framework, including an updating of the regulatory frameworks for multi-modal freight transport, implementation of regional agreements for reciprocity in land transport, the development of national transport and logistics policies, and the design and implementation of plans to improve the safety of freight transport and specific master plans for roads, ports and airports.

iv. Coordinating border management

2.18 Successful integration of value chains means that the region's companies must be able to move their goods across borders reliably, quickly and at low cost within a regulatory framework that guarantees efficient border checks, including customs, migration, health and safety controls. We will seek to implement a coordinated border management strategy that increases the effectiveness of control procedures and ensures adequate infrastructure, while improving customs revenue and security. This will include measures to strengthen one-stop shops or single windows for foreign trade, the promotion of authorized economic operator programs, border controls based on integrated risk management, simplification and strengthening of customs, and modernization of border infrastructure and equipment. We will also harmonize control procedures, and ensure mutual recognition of sanitary and phytosanitary measures and certification among our countries.

2.19 The measures will focus on those border crossings that are part of the high-priority regional logistics corridors, including the following: El Amatillo, Guasaule, La Hachadura; Anguiatu – La Ermita, El Florido, Las Manos; El Poy, Melchor Mencos –Benque Viejo.

³⁴ Each of these corridors requires specific investments in terms of road connections and freight infrastructure, which are outlined in Annex 2.

v. Encouraging international trade

- 2.20 In order for the actions mentioned above to lead to a real increase in our countries' competitiveness, we must take additional measures to fully realize our trade opportunities. In that sense we will boost quality control systems (livestock and crop health and safety, food safety and product traceability) so goods can reach market unencumbered. At the same time we will publish the trade requirements of the largest trade partners, and foster their dissemination among our small and medium-sized companies. In this sense, we will strengthen and expand, the initiative already operating in the region of centers for micro, small and medium enterprises. Trade promotion agencies will also be strengthened.
- 2.21 Finally, we are convinced that there is room to deepen our existing trade agreements and facilitate the achievement of the Plan's goals. For instance, we could use the certification of goods that are produced in the prioritized regions or value chains and grant them temporary advantages and access to the United State market. Preferential treatment via quotas and more flexible rules of origin could also be established for exporting certified goods to the United States.

B. Developing Opportunities for Our People

- 2.22 In order to make better use of economic opportunities, we must strengthen the links between the productive sector and training programs that allow for more effective and permanent inclusion of people into the workplace, especially our young people and women. We need to implement policies aimed at improving labor market conditions. We should make efforts to improve skills through greater investment geared to broadening and enhancing the quality of secondary education and raising retention rates. We will also work on improving nutrition, healthcare and early childhood development.

i. Tightening links between labor supply and demand from businesses

- 2.23 We have to create greater opportunities for high quality and inclusive employment, so as to help foster a sustained reduction in poverty and overcome the problem of exclusion of young people and women. To this end, we propose the following actions:

a. Provide more technical and vocational training

- 2.24 Strengthening ties between the education and productive systems will be a priority. We will work to bring young people into the workplace early, offering internships, courses and apprenticeship programs that feature skill-building modules and alternatives of varying duration in the final two or three years of secondary school, or even after it is completed. We will also reach agreements among the community, town halls, churches and other local institutions and vocational training institutions to guarantee that skill-building programs are useful and of high quality, and that they actually increase people's prospects of obtaining work. At the institutional level we will develop South-South cooperation alliances aimed at improving oversight, monitoring and assessment of sector policies and strengthening existing programs.

b. Improving and expanding training programs and easing people's entry into the workplace

- 2.25 In geographic areas affected by the greatest social exclusion and emigration, we will identify the needs of the productive sector and seek to offer relevant workplace training courses. This will include a public-private partnership that will bring together private companies as potential employers, experts in training, NGOs, academics and the public sector. In the countryside, we will provide training courses to improve micro-entrepreneurs' skills by giving them access to micro-credit and encouraging value chains that allow them to boost the added value of their products. At the same time we will invest in modernizing and upgrading training facilities so that they respond to the region's present and future productive development needs, with national and local strategies that have specific goals. These measures will be accompanied by the implementation of a strategic plan to expand job centers so as to improve access to job counseling services and help people find work. In rural areas, these services will be offered in roving offices with Internet access.
- 2.26 Priority will be given to emigrants who have returned home so that they are included in job training programs, job-finding, entrepreneurship, and access to micro-credit. These programs will be linked to other social services such as healthcare and education.
- 2.27 Regarding female labor participation, we will work with training institutes and employment services to provide vocational training for women, so as to broaden their prospects of accessing non-traditional occupations that pay better. Efforts will also be made to improve day care for children and care for other dependents so that this responsibility does not prevent women from working.

c. Strengthening the regional labor market

- 2.28 Facilitating the mobility of workers among our countries will make for more efficient use of our human resources and potentially ease emigration out of the region. To this end, through the joint work of our three countries, we will guarantee the legal work status of migrant workers who travel in the region by training civil servants at job centers and launching a regional public awareness campaign. We will also design a mechanism whereby a person's social security payments in one country will be recognized in another, increasing formalization in the short term and pension coverage in the future. We will create a regional labor center with a double role: (i) to provide information about labor legislation and job opportunities through a common platform that brings together all three countries' national employment services and provides access to all three, and that is linked to training and skill-building programs; and (ii) to generate a process of exchanging information and experiences in labor policies, plans and programs, allowing for the coordination of efforts and well-informed decision-making on employment policies.

ii. Building human capital

- 2.29 In order to overcome challenges in education coverage, quality and school enrollment among youths, as well as deficiencies in nutrition, health care and early childhood development – problems that prevent our boys and girls from fully developing their skills and contributing to

the economy and society when they reach adulthood – we plan to focus on these three courses of action:

a. Broaden coverage and improve the quality of secondary education

- 2.30 In our countries, the enrollment rate in secondary school is low, and student performance is below the hoped-for levels. For this reason we will invest in broadening education and improving the conditions of existing schools. In rural areas, besides building schools, we will seek to improve transport and school bus services so as to reach isolated areas and bring more children into the school system. Existing school infrastructure will be enhanced by investment in the expansion, upgrading and maintenance of classrooms, bathrooms and sports facilities so that they become places that facilitate learning. As for educational quality, we will emphasize: i) creating effective mechanisms for training, evaluating and providing incentives for teachers, seeking to attract and retain the best people; and ii) reviewing the design and implementation of the school curriculum so that it includes innovative practices such as the use of information and communications technologies, and modules that develop behavioral skills and reinforce basic cognitive ones.

b. Implement plans to keep youths in secondary school

- 2.31 In order for our young people, especially those mired in extreme poverty and social risk, to stay in school longer and develop more skills during secondary school, we will provide incentives through the extension of conditional cash transfer programs that reward youths who remain in school and get ahead. To do this we will include a strategic redesign of the conditionality, focus the selection criteria, an improvement of the registry of beneficiaries, verification of responsibilities and improvement in coordination with the supply of social services and the exit strategy of those programs. Programs will be also established to address other factors that cause youths to drop out of school. In line with this, remedial programs will be implemented to reduce grade repetition rates, improve the atmosphere in schools to curb violence and bullying, and strengthen and broaden after-school programs to help develop cognitive and behavioral skills that help lessen exposure to risky situations. In these programs we will seek the participation of local communities and other social actors.

c. Improve nutrition and access to healthcare services for mothers and children

- 2.32 In order to counter deficiencies in nutrition and health care that affect many of our children and mothers, we will seek to expand the coverage and quality of existing programs that aim to improve access to healthcare and nutrition, and incorporate specific nutrition strategies into healthcare services. These measures will focus on the poorest and most vulnerable people, especially pregnant women and children under the age of two. For children of school age, food service programs will be encouraged in schools.
- 2.33 As regards prevention, we will promote the development and implementation of strategies to change behavior and improve practices during pregnancy and early childhood. This will be done through mainstream media such as radio and television, grassroots activities or individual counseling centers dedicated to healthcare and home life. In the same way, sexual and reproductive health programs will be strengthened to prevent unwanted or unplanned pregnancies, especially among adolescents.

d. Promoting the care and development of children and expanding pre-school services

- 2.34 Investment in the first years of life is critical for the future development of boys and girls and the return this yields in terms of wellness, income and social inclusion. To reduce our countries' weaknesses in this area, actions will be taken to broaden coverage and improve the quality of existing programs aimed at children and infants, focusing attention on high-priority poor areas. We will complement this strategy with early childhood development services featuring institutional or community models depending on the needs of a given area, be it rural or urban. Furthermore, we will adopt a coordinated strategy along with the provision of healthcare and nutritional services and the existing programs of conditional transfers. At the pre-school level, we will seek to extend the coverage of services that boost enrollment of children aged three and four.

e. Improving housing and basic services

- 2.35 The deficiencies that we still suffer from in housing, basic essential services and decent outdoor public areas continue to help perpetuate poverty and lack of safety. Hence it will be essential to broaden coverage of basic services and improve housing in marginal areas. To do this we will seek to improve basic infrastructure, providing access to drinking water and sanitation facilities, improving the treatment of waste water and solid waste, as well as providing streetlights, roads, public plazas and parks. We will also work to improve existing housing through micro-credits and/or direct subsidies. In rural areas, extending coverage of electricity in grids where possible, and with individual systems when not, will be essential to enhancing access to and coverage of other social services like health care and education.

C. Improving Public Safety and Enhancing Access to the Legal System

- 2.36 Fighting crime that affects our countries is an urgent task. We must work in all realms of socialization (family, school and city) throughout a person's life. We must strengthen the fabric of society to protect our children and young people from exposure to violent settings and help reduce violence itself, insecurity, and their links to street gangs. We need to promote programs and activities that (i) prevent violence and ensure peaceful coexistence; (ii) strengthen institutions to fight against crime and violence; and (iii) modernize the justice system. These courses of action will complement the efforts we are making to fight against drug trafficking and organized crime.

i. Boosting programs to prevent violence

- 2.37 So as to neutralize risk factors and stimulate ones that provide protection at the individual, family, school and community level for our children, youths and women in the face of violence, gang activity and lack of safety, we propose the following lines of action:

a. Strengthening programs to prevent violence at the family and community level

- 2.38 Prevention measures centered on the family and the community will be the first step toward reducing high levels of overall violence and violence within families, raising levels of safety in our countries and protecting our children, young people and women. At the family and

individual level, we will seek to encourage resilient behavior among children and young people by means of programs implemented through the school system to lessen the influence of the gangs on these sectors of the population and cut down on risky behavior. We will also launch and strengthen educational programs that provide support to parents in the use of alternative mechanisms for resolving conflicts, so as to keep violence from being passed down from generation to generation. Special attention will be paid to strengthening and implementing programs through the education system that seek to prevent violence against and the killing of women.

- 2.39 At the community level, we will try to further the implementation of measures designed to prevent and control the impact of gang violence through interdisciplinary interventions applied to communities that are severely affected, and will seek synergies through leisure, sports and artistic activities so as to deter participation in street gangs, known in the region as “maras.”

b. Making schools safe

- 2.40 Schools play an important role as spaces for development, protection, and the prevention of violence against our children and young people. We will therefore encourage the development of programs to instill tolerance and safety in schools so that they become an alternative to violent life out on the streets. We will also take measures to ensure the safety of the school community in collaboration with municipal, police, and civic authorities with the aim of making safe the areas outside schools, as well as school bus routes, in places with the highest incidence of violence. We will work with educators to develop teaching practices so that young people learn negotiation, dialogue as a tool for conflict resolution, and how to take care of themselves in situations of high social risk.

c. Counseling centers for at-risk youths

- 2.41 Looking after and protecting our young people who are at risk or considering emigrating will be a priority. In order to be able to provide coordinated and integrated care, we will seek to create counseling centers that provide essential social services for adolescents and youths in a coordinated and organized way, and facilitate access to specialized services depending on children's age and risk situation. These centers will offer multi-sector assistance programs for at-risk youths, including psychological treatment to control drug addiction and prevent consumption of drugs, prevention of violence against women, sexual health and reproductive health programs, remedial school classes, skill-building and job training, registration and other services. Other essential goals will be to develop a strategy to promote young people's rights and active participation so that they can improve their opportunities and take part in a process of transformation and empowerment.

ii. Strengthening institutions responsible for public safety

- 2.42 Reducing violence and fighting crime are urgent tasks for our countries as we seek to create a safer environment for our people and our economic activities. Hence, we will continue our fight against drug and human trafficking and organized crime, and will also seek to enhance the capacity and management skills of our police forces, including training, skill-building, professionalization, equipment, and information systems for preventing and fighting crime. We will also bring the police closer to the community, including through solid accountability

mechanisms that improve the image of the police and people's trust in them. We will encourage national and local authorities to improve vertical coordination among the different levels of government and introduce tools for financing, planning, information, follow-up and assessment. At the regional level we will seek the greatest synergy possible in police training, data centers for information on violence and crime, and databases in which the three countries share experiences on preventing, controlling and fighting crime.

iii. Modernizing the justice system

- 2.43 In order to improve our citizens' confidence in the State, we will work to contribute to the effectiveness of the criminal justice system, including generalized access to local-level justice services. We will also seek to support strategic plans to speed up the decision processes in courts, reduce their case backlogs, as well as the creation and application of tools to guarantee impartiality in trials and strengthen the work of prosecutors and coordination with courts. In the case of violence against women, we will improve the quality of and access to services providing care, justice and protection. This will be achieved by improving the quality of family counseling centers along with protocols for criminal investigation, penal action and trials in cases in which women are killed or suffer sexual violence.
- 2.44 Modernization of the justice system must be accompanied by the promotion of and respect for human rights, with special attention to victims of human trafficking and people who are in prison. We will undertake the following: i) strengthen criminal investigation, penal action and the prosecution of cross-border crimes with special emphasis on human trafficking; and ii) improve the prison system, both in its management and through the upgrading of infrastructure and basic services.

D. Strengthening Institutions to Increase People's Trust in the State

- 2.45 In order for the efforts envisioned in this Plan to continue over time, it will be necessary to strengthen public finances. But this will not happen if we do not generate greater trust in the State among citizens. To achieve this, better mechanisms for accountability and transparency must be introduced. We envisage the following courses of action to achieve these goals:

i. Ensuring the state's financial capacity

- 2.46 We will continue improving tax revenues and their management through an overhaul of our tax systems and how they are administered. We will strengthen the systems, processes and the professionalization of human resources in our tax and customs administrations, with the goal of making them perform better. At the same time, we will enhance their transparency and simplify our tax systems.
- 2.47 We will also need to boost the efficiency of our spending to be able to invest more. With that in mind, we will modernize the State's financial management systems, addressing the entire cycle, from budget formulation to the evaluation of spending and its control, over a period of years. We will boost our National Public Investment Systems so that they become part of the strategic planning of our governments and facilitate the design, monitoring and assessment of investments.

- 2.48 Another key element of the plan will be to make more progress in the management of public debt. Here, the goal is to ensure debt sustainability and create space for the investments we need to undertake in order to develop our countries. New tools that allow for incorporating other alternatives for financing our investments, including public-private partnerships, will be necessary.
- 2.49 We will improve financial management of risks from natural disasters. We will incorporate climate risk management and adaptation strategies into the design and prioritization of public investment projects in order to mitigate the impact of climate change, exploring insurance and reinsurance schemes to attenuate and partially transfer the risks arising from our countries' vulnerability.

ii. Increasing transparency

- 2.50 To promote greater efficiency in the use and distribution of public resources and improve the quality of the services provided by the State, we will support effective implementation of laws governing access to information, including the definition and implementation of open data standards and laws that encourage the use of public information to gain access to other rights under the law. We will also develop and implement tools for budgetary transparency (including geo-referencing of public spending) and strengthen systems of procurement, purchasing and tenders for public works projects to allow for greater monitoring and transparency in resource management. There will be more transparency in administrative processes. These measures will be complemented with improvements in systems for public audits.
- 2.51 As regards money laundering, an analysis of risks at the regional level will be carried out. This will allow the design and implementation of a joint policy of prevention and detection that includes mechanisms for sharing information among our countries and a coordinated policy aimed at reducing incentives for using cash via increased access to the financial system. The fight against money laundering constitutes a fundamental step in implementing a comprehensive strategy to combat drug trafficking.

III. Implementing the Plan of the Alliance for Prosperity in the Northern Triangle

- 3.1 Achieving the development goals proposed here is an arduous task. The Plan builds on efforts already underway in our countries, both in the social area and in promoting productive activity. These efforts present a starting point for further progress. The achievements include a significant increase in primary school coverage to nearly universal levels (95% in 2012). Maintaining equality of access for boys and girls has been very important. At the same time, the policies implemented over the last decade have allowed us to reduce by one-third the rate of infant mortality, and by nearly 15 percent the rate of maternal mortality. As for logistics and infrastructure, joint efforts at the regional level have also allowed us to reach full operation of the SIEPAC line, thereby achieving the integration of our national electrical grids. What is more, we have financed 45% of the Pacific Corridor and we have been working on coordinated management of high-priority border crossings along the corridor.³⁵
- 3.2 Acknowledging the need to increase our financial capacity in order to advance further in these efforts, our three countries have carried out comprehensive reforms in our tax laws. These reforms (approved between 2009 and 2013) were aimed at broadening the tax base and making our tax systems more equitable.
- 3.3 To consolidate the progress already achieved and speed up the priority actions needed to support growth and development in our countries, the plan's implementation will be centered on four crucial elements: (i) territorial focus of the programs and regional coordination; (ii) well-defined financing of the program; (iii) an agile execution scheme; and (iv) a solid mechanism for evaluation and follow-up.

i. Territorial focus and regional coordination

- 3.4 The plan's implementation will entail a territorial focus at the national and regional level in order to maximize its impact. We believe that the most effective way to meet the goals and to implement the actions set out in the plan will be through comprehensive, multi-sectorial solutions taken to specific geographic areas.
- 3.5 At the national level, the revitalization of these areas will be a key strategy to create scale and ensure synergies among sector specific actions in such a way as to attract private investment and human capital. In the targeted areas, we will strengthen technical capacity and responsibilities of the municipalities, which are crucial elements of the political, institutional and economic order in our countries. This is necessary to guarantee sustainability and raise standards of transparency, control and efficiency in the use of resources.

³⁵ Annex 3 shows a map with the main high-priority corridors and the state of progress of each pillar of the coordinated border management.

ii. Financing the plan

- 3.6 The Plan's objectives form part of the priorities set out in our national development plans. As such, they will be accompanied by a fiscal effort that will allow us to generate resources consistent with maintaining a stable macroeconomic framework.
- 3.7 The definition of a clear medium-term fiscal plan, along with measures to mitigate risk and strengthen institutions, will generate the confidence necessary to stimulate and achieve private sector participation. We will seek innovative forms of public-private partnerships to carry out priority projects. The Plan will introduce changes in key areas such as justice, trade facilitation, and infrastructure, so as to increase private investment, foster economic growth, and improve job prospects.
- 3.8 However, it is clear that the resources needed to meet the development challenges featured in the Plan surpass the financial capabilities of our countries and our ability to take on more debt. Therefore, the participation of other allied countries, multilateral organizations and development partners in the region will be essential. We will also consider alternative financial tools that will allow us to bridge financing gaps, such as debt reduction mechanisms in exchange for earmarking those resources for development goals (such as swaps of debt for nature preservation that are already used the region) and the use of donations based on performance indicators (such as the Mesoamerica Health Initiative).

Table 1. Regional Plan of Investment 2015-2019

Strategic Lines of Action	Total Investment	Own Resources		Private Sector	Donors
		Improving financial capabilities	Debt		
A. Stimulate the Productive Sector to Create Economic Opportunity					
i. Promoting strategic sectors and attracting investment					
ii. Reducing energy costs and ensuring reliability of electricity supply					
iii. Modernizing and expanding infrastructure and logistical corridors					
iv. Coordinating border management					
v. Encouraging international trade					
B. Developing Opportunities for Our People					
i. Tightening links between labor supply and demand from businesses					
ii. Building human capital					
C. Improving Public Safety and Enhancing Access to the Legal System					
i. Boosting programs to prevent violence					
ii. Strengthening institutions responsible for public safety					
iii. Modernizing the justice system					
D. Strengthening Institutions to Increase People's Trust in the State					
i. Ensuring the State's financial capacity					
ii. Increasing transparency					

iii. Executing the plan

- 3.9 We will try to execute these initiatives under a governance model that channels both domestic and external resources to projects in a transparent and effective way and ensures the integrated implementation of the various lines of action. We will make the necessary efforts to implement the different actions in a coordinated fashion. In order to facilitate this task we will

establish alliances with development partners with proven capacity and effectiveness that can provide support in the design and implementation of execution schemes in both the regional and territorial spheres.

iv. Assessment and follow-up

- 3.10 Finally, to be effective the Plan requires that the proposed actions translate into concrete programs and projects with clearly defined goals that lend themselves to monitoring and objective evaluation. This will allow us to measure the degree of effectiveness and efficiency of the measures in a timely fashion, adjusting the design if necessary.

IV. Annexes

Annex 1: Investments Needed for Regional Energy Integration

SIEPAC	
1. Expansion of SIEPAC Capacity	This includes developing SIEPAC's second circuit using the infrastructure already in place, which reduces costs associated with the right-of-way, as well as the corresponding substations.
2. National transmission expansion	Investments for national transmission expansion are needed to achieve the Operational Transmission Capacity of 300 MW in the Regional Transmission Grid (SIEPAC). This has not been achieved at any point of the line yet because of lack of improvements and reinforcements of national transmission lines.
INTRODUCTION OF NATURAL GAS IN CENTRAL AMERICA	
3. Salina Cruz (MX) - Escuintla (GU) Pipeline	Currently, part of Guatemala's electricity production is based on oil derivatives which could be replaced by natural gas. This would represent important advantages in terms of price, supply diversification and CO2 emissions. This infrastructure would provide access to potential additional demand from the other countries of the Northern triangle.
4. Natural gas supply for the Northern triangle	Besides the above mentioned project, it would be economically justified to invest in a regasification plant for the import of natural gas as LNG. This infrastructure could cover the potential gas demand of Guatemala, El Salvador and Honduras.

Annex 2: Principal Logistics Corridors and Required Measures

Main Corridors	Required measures
1. The Pacific Corridor joins Mexico with Central America on the west coast of the region	Improvement of the border crossing El Amatillo, Gausaule and La Hachadura, and rehabilitation and road widening in El Salvador and Honduras.
2. The Bioceánico Corridor between Quetzal Port, Guatemala City and Barrios/Santo Tomas de Castilla Ports	Improvement of ports, CA-9 road widening, improvement of rural roads, suburban ring and La Aurora International Airport.
3. The Acajutla Corridor - San Salvador - San Pedro Sula - Puerto Cortes	Improvement of border crossing El Poy, logistics and freight areas in Cortes Port, Acajutla Port and San Pedro Sula; rehabilitation of roads CA-4, CA-8 and CA-13 including bridges, improvement of tertiary road and urban areas, and construction of a load terminal in San Salvador and San Pedro Sula airports.
4. El Ramal San Salvador - Bioceánico Corridor (<i>incremental al #2</i>)	Improvement of the border crossing Angiatu - La Ermita, rehabilitation of the road and improvement of rural roads, upgrade in the cargo handling at the El Salvador International Airport.
5. Quetzal Port Corridor - Guatemala City - San Pedro Sula (<i>incremental to #2</i>)	Upgrade in the border crossing El Florido, rehabilitation of roads CA-11, CA-4 and 500km of the tertiary road, improvement of cargo handling in the urban area of Guatemala City and La Aurora Airport, internationalization of the Puerto de San José Airport (GT) and road connection.
6. Acajutla Port Corridor - San Salvador - Tegucigalpa (<i>incremental to #1, #2 and #5</i>)	Rehabilitation of roads CA-5, CA-1 and CA-8, tertiary road, bypasses of urban centers, improvement of border crossing El Amatillo.
7. Atlantic Corridor between Managua, Tegucigalpa and Cortes Port	Improvement of the border crossing Las Manos, rehabilitation of roads CA-11, CA-15, CA-6 and CA-5, in the urban area of Tegucigalpa and San Pedro Sula, rehabilitation of rural roads and improvement of Managua and San Pedro Sula International Airports
8. Atlantic Corridor between Belize and the Bioceanic Corridor	Improvement of the border crossing Melchor Mencos - Benque Viejo, the Belize City Port, rehabilitation of George Price Highway and CA-13, improvement of rural roads, upgrade of the cargo terminal at the Phillip Goldson Airtport.

Annex 3: Coordinated Border Management

Prioritized border crossings in the Pacific Corridor – Northern Triangle



Current Status – Northern Triangle

Components	Interoperability (Single Windows)	Risk management	Coordination with private sector (Authorized Economic Operator)	Control processes / infrastructure and equipment
Guatemala	SW: Partially implemented for exports Transit of goods procedure (TIM): Implemented	Partially implemented	AEO –Trusted shipper program: Implemented	Available pre-feasibility studies: Tecún Umán - Suchiate I & II, Pedro de Alvarado and La Ermita. Estimated investment: \$68MM
El Salvador	SW: Partially implemented for exports Transit of goods procedure (TIM): Implemented	Partially implemented	AEO –Trusted shipper program: In preparation	Available pre-feasibility studies: La Hachadura, Anguiatú. Control processes design available for: El Amatillo (not implemented) Estimated investment: \$63MM
Honduras	SW: In preparation Transit of goods procedure (TIM): Partially implemented	In preparation	AEO –Trusted shipper program: In preparation	Available pre-feasibility studies: Guasaule Control processes design available for: El Amatillo (not implemented) Estimated investment: \$23MM