

THE IDB IN THE NORTHERN TRIANGLE OF CENTRAL AMERICA

El Salvador, Guatemala and Honduras



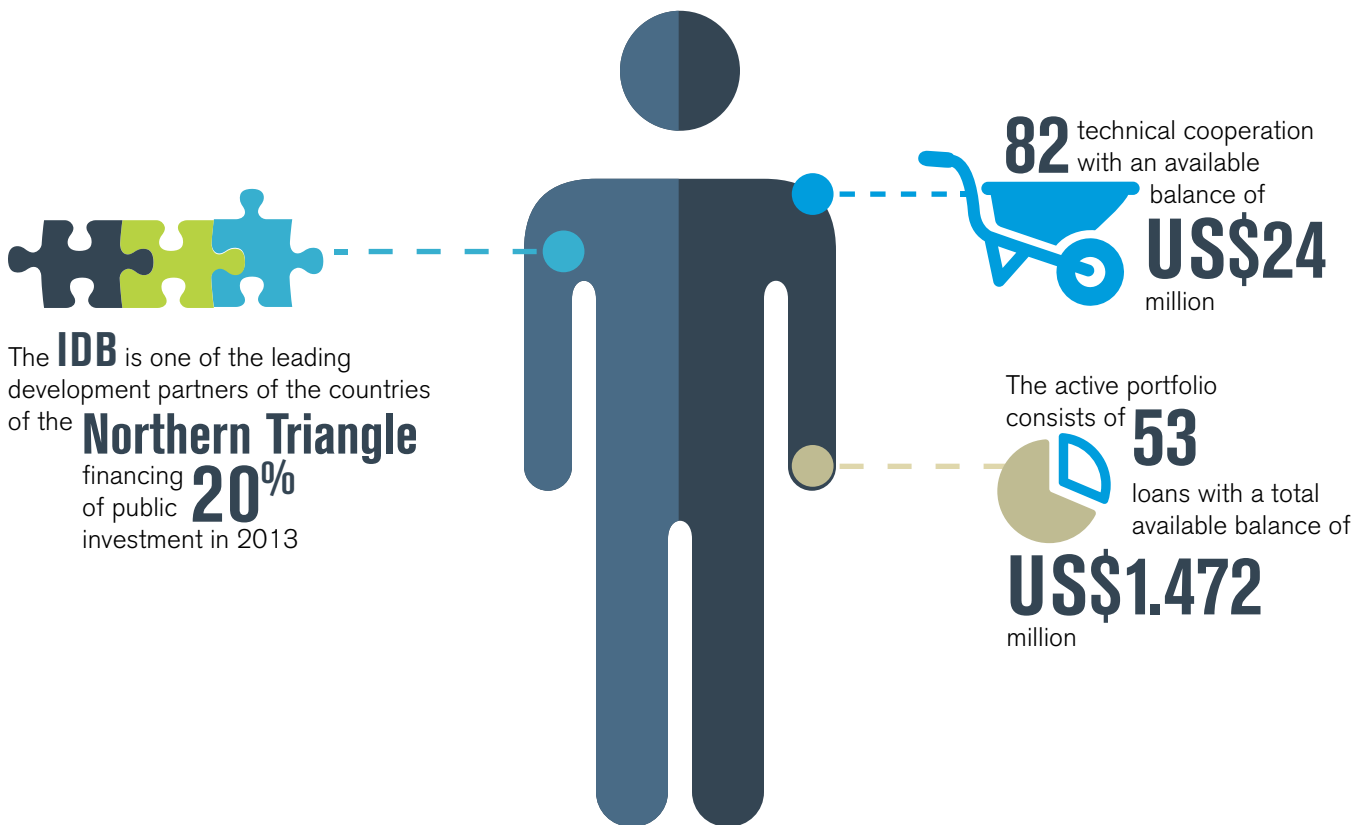
Country Department
Central America, Mexico,
Panama and Dominican Republic

Committed with the future of Central America



Introduction

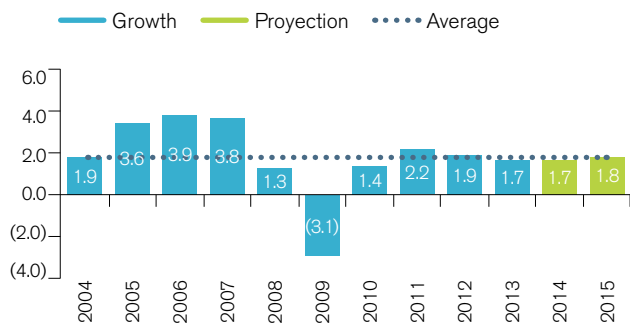
The IDB has been supporting the development and economic growth of the Northern Triangle countries through financial support and technical assistance. By sector, the portfolio in execution of the Bank is divided into operations in infrastructure, social investment, and the management of public finances. The IDB has also partnered with the countries of the Northern Triangle in an effort to increase their competitiveness through regional initiatives for social development and strengthening of infrastructure.



El Salvador: Economic indicators

Economic growth

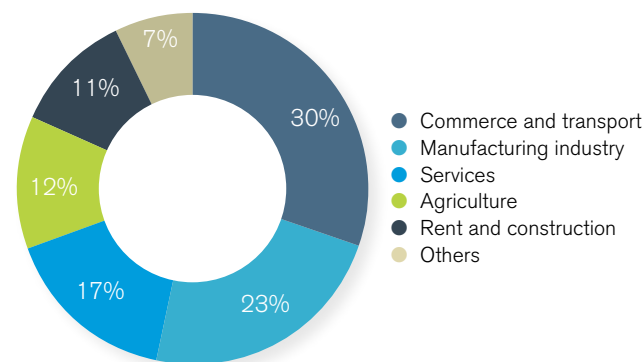
GDP growth (Annual % variation)



Source: IMF, 2014

Production by sector, 2013

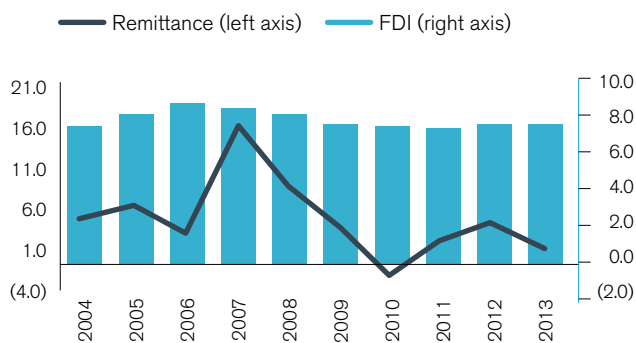
(% GDP)



Source: Central Reserve Bank of El Salvador, 2014

Foreign Direct Investment and Remittances

(% GDP)



Source: Secretaría Ejecutiva del Consejo Monetario Centroamericano, 2014

Basic Indicators

	2013	2014p
Population (mm) ⁽¹⁾	6.3	6.4
Area (Km ²)		21.044.8
Nominal GDP (US\$ bn) ⁽¹⁾	24.3	25.1
Real GDP Growth (%) ⁽¹⁾	1.7	1.7
GDP Per Capita (US\$) ⁽¹⁾	3.835.2	3.958.4
Current account balance (%GDP) ⁽¹⁾	-6.5	-6.5
Fiscal deficit (%GDP) ⁽²⁾	3.9	3.8
Inflation (%) ⁽¹⁾	0.8	2.0
Unemployment rate (%) ⁽¹⁾	5.7	5.7
Poverty (% population) ⁽³⁾	45.3	N.A.

Sources:

⁽¹⁾ International Monetary Fund, October 2014

⁽²⁾ International Monetary Fund, Article IV (2013)

⁽³⁾ Economic Commission for Latin America and the Caribbean, 2013 (Information corresponds to 2012).

N.A. Not available.

The IDB in El Salvador



Country strategy

The Bank's strategic areas are:

- Public finance
- Social protection
- Urban habitat
- Water and sanitation
- Transportation
- Energy

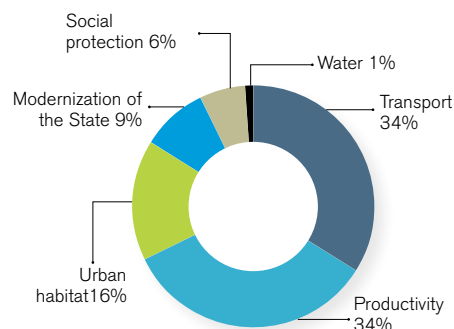
New opportunities for support

- Rehabilitation of Pacific Corridor
- Employment for at-risk youth
- Tourism development in the coastal zone
- Financing for MSMEs

Portfolio in Execution

The Bank's portfolio consists of **17** operations in execution with an available balance of **US\$532** million.

Public sector portfolio by sector (available balance)



Objectives and results by sector

Social protection and health

Expansion of comprehensive primary care health services in San Miguel, Chalatenango, Sonsonate and San Salvador; Comprehensive services for the empowerment of women through Ciudad Mujer.

- **18%** increase in preventative primary care consultations and **24%** increase in curative primary care consultations between 2008 and 2012
- **5** Ciudad Mujer Centers financed; more than **1.6 million** services provided as of October 2014

Urban habitat

Improvement of basic infrastructure in poor neighborhoods affected by high rates of violence; legalization of land ownership; and access to housing financing for low-income families.

- Legalized titles for **2,382** plots
- **6,370** families benefiting from physical infrastructure neighborhoods improvement works

Water and Sanitation

Expansion of water and sanitation services in the poorest rural communities; and reduction in the percentage of serviced drinking water not billed.

- **9,400** rural homes with new or improved access to drinking water and sanitation services

- **100%** in macro-measurement of water sources in the metropolitan area of San Salvador

Transportation

Improvement of rural roads in the northern region, eastern region, and La Libertad. Construction of the transportation system of the San Salvador metropolitan area.

- **59 Km** of rural roads improved

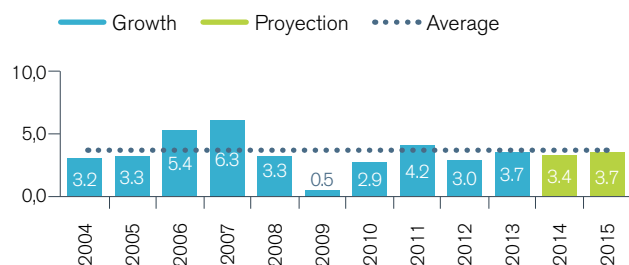
Productivity and commerce

- Services for strengthening MSMEs
- Training for MSMEs in opportunities for export

Guatemala: Economic indicators

Economic growth

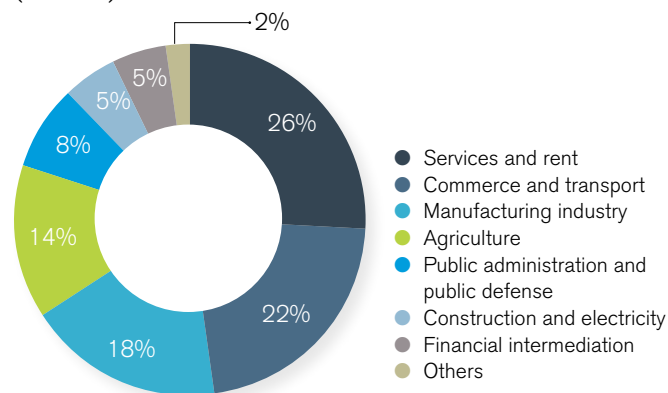
GDP growth (Annual % variation)



Source: IMF, 2014

Production by sector, 2013

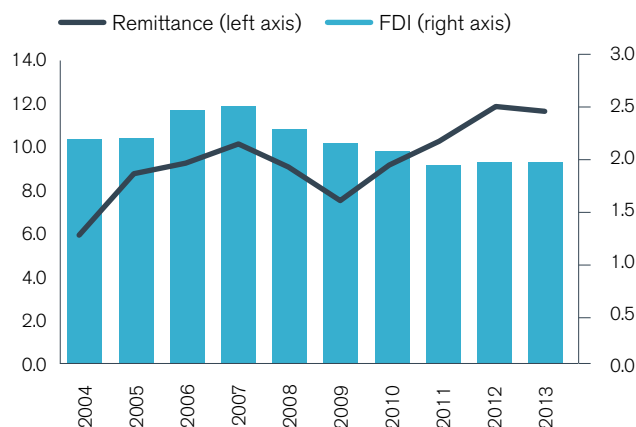
(% GDP)



Source: Central Reserve Bank of Guatemala, 2014

Foreign Direct Investment and Remittances

(% GDP)



Source: Secretaría Ejecutiva del Consejo Monetario Centroamericano, 2014

Basic Indicators

	2013	2014p
Population (mm) ⁽¹⁾	15.5	15.9
Area (Km ²)		108,889
Nominal GDP (US\$ bn) ⁽¹⁾	53.8	58.3
Real GDP Growth (%) ⁽¹⁾	3.7	3.4
GDP Per Capita (US\$) ⁽¹⁾	3,474.7	3,673.6
Current account balance (%GDP) ⁽¹⁾	-2.7	-2.0
Fiscal deficit (%GDP) ⁽²⁾	2.2	2.3
Inflation (%) ⁽¹⁾	4.4	4.0
Unemployment rate (%) ⁽¹⁾	3.0	N.A.
Poverty (% population) ⁽³⁾	54.8	N.A.

Sources:

⁽¹⁾ International Monetary Fund, October 2014

⁽²⁾ International Monetary Fund, Article IV (2013)

⁽³⁾ Economic commission for Latin America and the Caribbean, 2013 (Information corresponds to 2012).

N.A. Not available.

The IDB in Guatemala



Country strategy

The Bank's strategic areas are:

- Fiscal and municipal management
- Social protection
- Citizen security
- Rural development (Productive development, health and transportation)

New opportunities for support

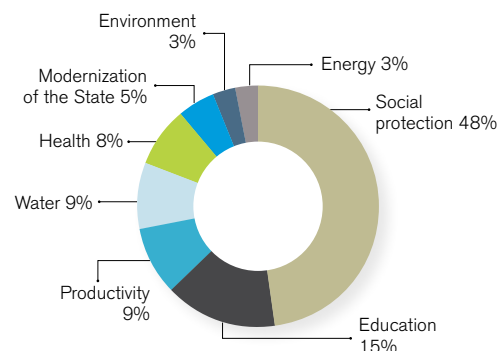
- Improvement of the quality of education
- Modernization of border crossings

Portfolio in Execution

The Bank's portfolio consists of

15 operations in execution with an available balance of **US\$ 531 million**.

Public sector portfolio by sector (available balance)



Objectives and results by sector

Social protection and health

Rehabilitation of hospital infrastructure, expansion of coverage of primary care services, and nutrition programs at the community level.

- **600,000** people benefited through Mobile Institutional Health care teams
- **1,135,000** inhabitants of the **31** poorest municipalities with access to maternal and child health services

Education

Construction and equipment of primary schools in **166** municipalities; and improvement in school management with a bilingual and intercultural focus.

- **2.8 million** students of pre-schools and elementary schools benefited with more than **7 million** books in reading, math and values

Water and sanitation

Expansion of access to services for poor rural communities and those in urban and peri-urban areas; and improve local management of water and sewer systems.

- **143,000** people living in poverty with access to drinking water and basic sanitation in **170** rural communities

Environment

Protection of the Maya Biosphere Reserve in Petén and the Lago Amatitlan's basin; and Cadaster and registration in protected areas.

- **33,400** hectares of forests with environmental conservation and forest management services

Rural electrification

Connection to the network of transmission lines and associated substations; and construction of isolated electrification systems with renewable resources.

- **12,380** households were connected to the National Electricity Network, including remote communities in **45** municipalities in the rural and disperse areas

Productivity and MSMEs

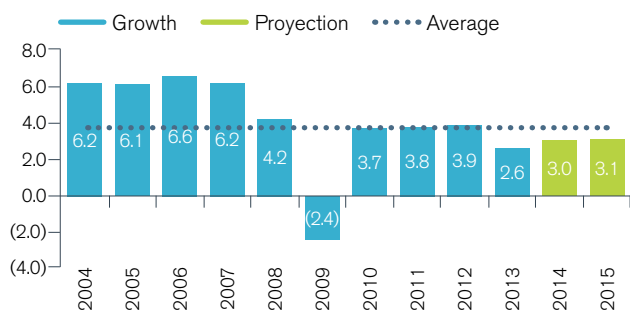
Access to credit regulations and business development.

- **45,623** women gained access to new financial products based on family remittances
- **15,000** families living in poverty (**90%** are of indigenous origin) benefited from **130** clusters of rural production

Honduras: Economic indicators

Economic growth

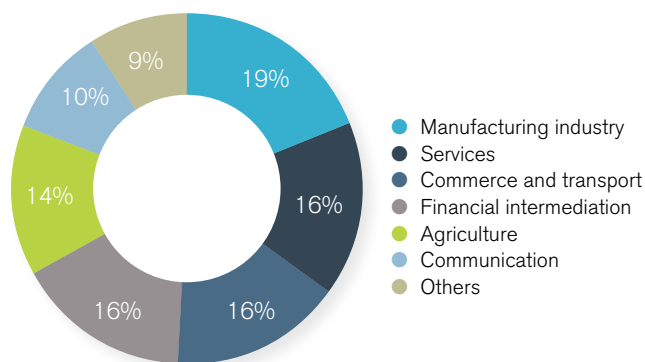
GDP growth (Annual % variation)



Source: IMF, 2014

Production by sector, 2013

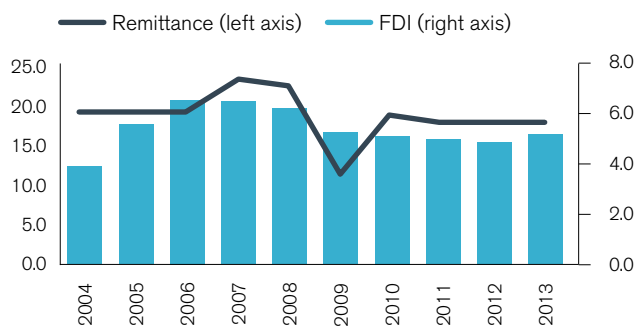
(% GDP)



Source: Central Bank of Honduras, 2014

Foreign Direct Investment and Remittances

(% GDP)



Source: Secretaría Ejecutiva del Consejo Monetario Centroamericano, 2014

Basic Indicators

	2013	2014
Population (mm) ⁽¹⁾	8.1	8.3
Area (Km ²)		112,492
Nominal GDP (US\$ bn) ⁽¹⁾	18.5	19.4
Real GDP Growth (%) ⁽¹⁾	2.6	3.0
GDP Per Capita (US\$) ⁽¹⁾	2,283.1	2,344.1
Current account balance (%GDP) ⁽¹⁾	-9.0	-8.0
Fiscal deficit (%GDP) ⁽²⁾	7.6	6.2
Inflation (%) ⁽¹⁾	4.9	6.8
Unemployment rate (%) ⁽¹⁾	4.4	4.5
Poverty (% population) ⁽³⁾	67.4	N.A.

Sources:

⁽¹⁾ International Monetary Fund, October 2014

⁽²⁾ Economic Commission for Latin America and the Caribbean, 2013 (Information corresponds to 2012)

⁽³⁾ Secretaría Ejecutiva del Consejo Monetario Centroamericano, 2014

N.A. Not available.

The IDB in Honduras



Country strategy

The Bank's strategic areas*:

- Fiscal consolidation
- Sustainability and competitiveness of the energy sector
- Transport for Regional integration
- Social inclusion
- Sustainable urban development

*The strategy is expected to be approved in December 2014.

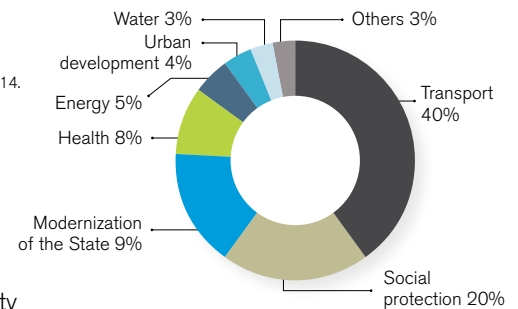
New opportunities for support

- Sustainable development of the Central District
- Electric power transmission
- Integration corridors
- Programs to alleviate extreme poverty
- Strengthening of public finances

Portfolio in execution

The Bank's portfolio consists of **21** operations in execution with an available balance of **US\$409 million**.

Public sector portfolio by sector (available balance)



Objectives and results by sector

Transportation

Achieve regional integration through better access to roads; Reduce operation costs and travel times; and improve the public transportation system in the Central District.

- Expansion of **50.2 Km** of the logistics corridor Tegucigalpa-San Pedro Sula and construction of **83 Km** of the agricultural corridor Tegucigalpa-Atlantic coast
- Construction of the first **2** corridors of the Rapid Transit Bus System in Tegucigalpa, expected to mobilize more than **100,000** passengers per day starting in 2015

Social protection

Support the Program "Bono Vida Mejor", providing comprehensive services in health, education, and nutrition to **40%** of rural families living in poverty and extreme poverty.

- Coverage extended to **100,000** rural families living in poverty and extreme poverty in **11** departments of the country

Health

Expansion of health coverage for the poor through results-based decentralized health service providers.

- **730,000** beneficiaries covered with a health benefits plan

Education

Improvement of school infrastructure and educational materials; and technology for students and teachers in **545** schools.

- Better results in standardized achievement tests through technology and equipment endowments for **624** new pre-school education community centers

Urban development

Provide water and sanitation services, electrification, and road access in the poorest neighborhoods of the Central District.

- In the neighborhoods of Villa Franca and Villa Cristina: more than **10 Km** of streets paved; **12 Km** of drainage systems built; **1,952** homes with access to sewer networks and **242** homes connected to water systems



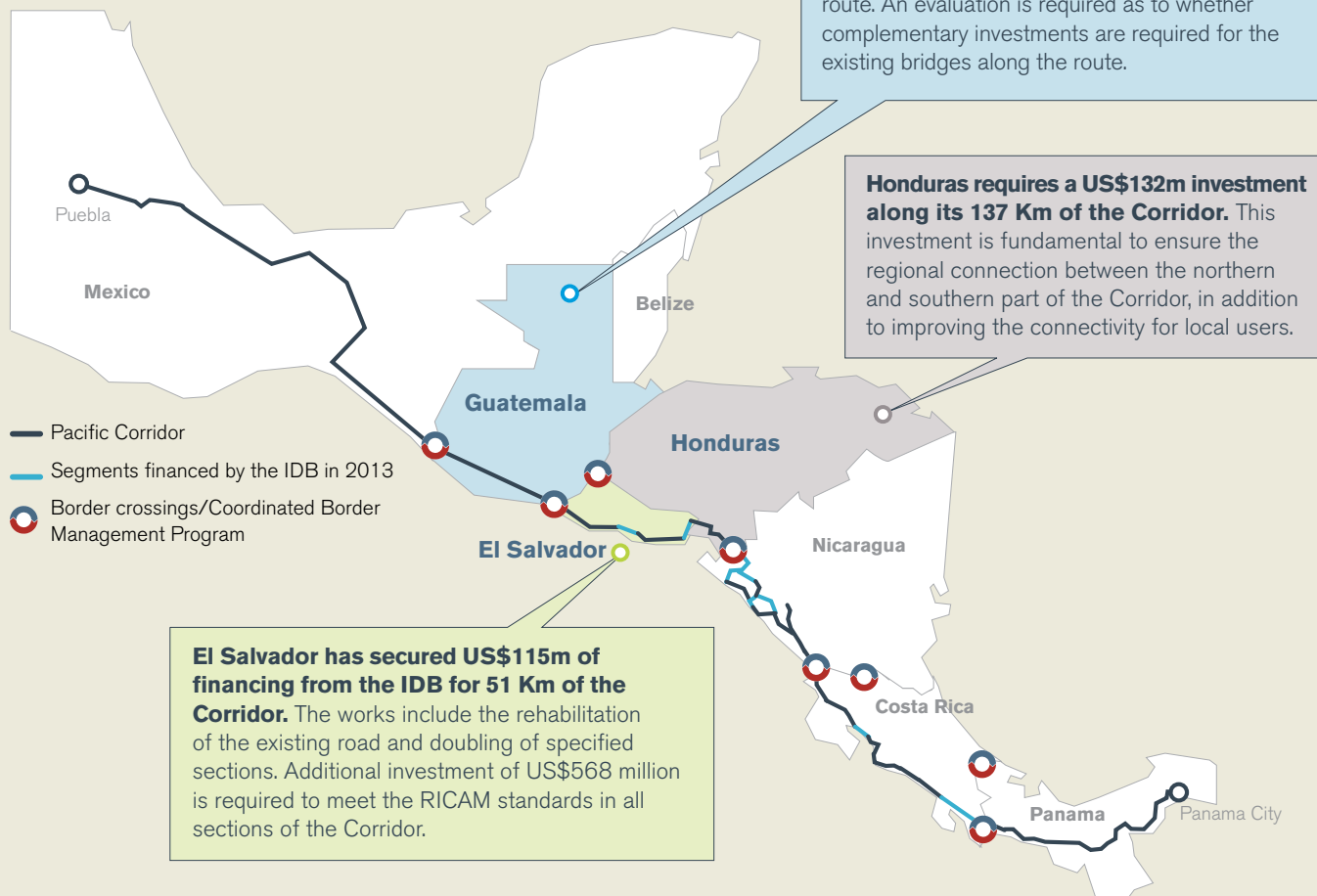
Regional Initiatives

Over the last few years the Bank has undertaken a number of actions, in particular in the areas of transportation and logistics, energy, trade facilitation and telecommunications, involving projects focused on establishing the base for the regional integration.

Pacific Corridor

With **3,241 Km**, the Pacific Corridor is the most efficient route for road transport in terms of operational costs between Puebla (Mexico) and Panama; transporting **95%** of intraregional cargo in Mesoamerica. The Bank seeks to improve this infrastructure through the structuring and financing of the Corridor.

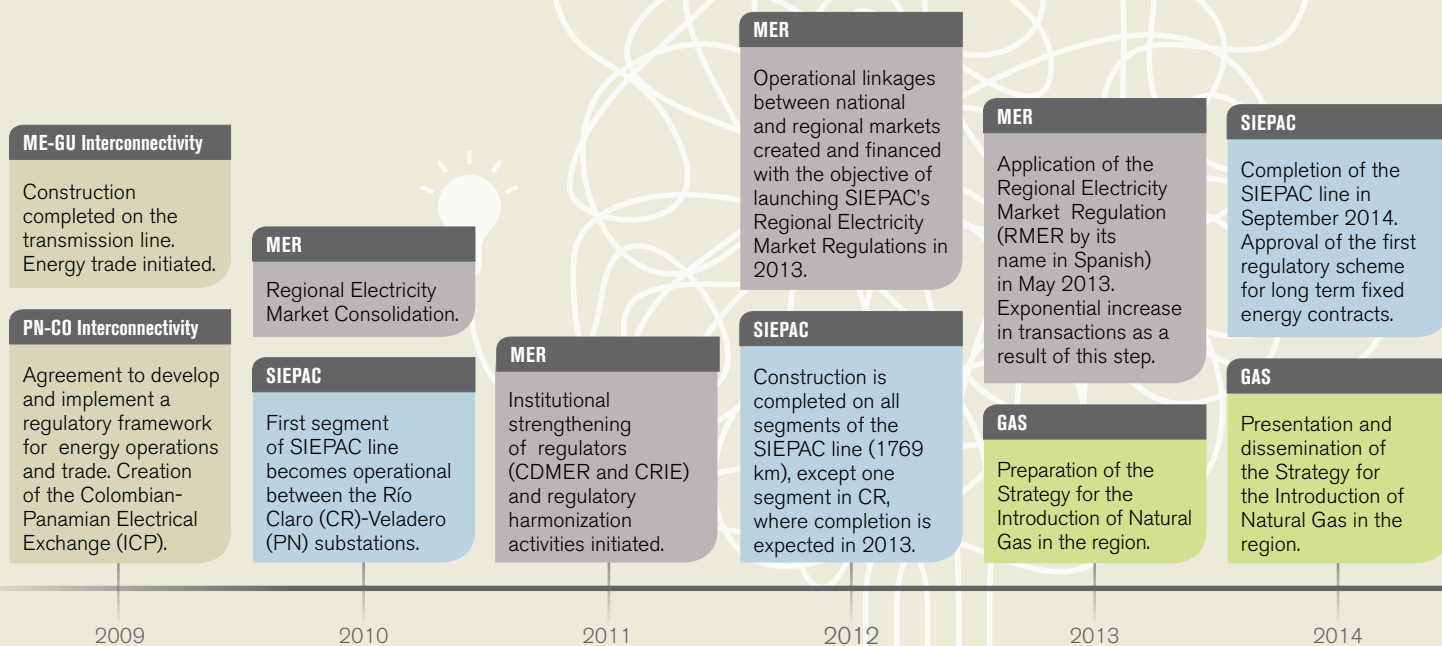
The Pacific Corridor and the countries of the Northern Triangle



Energy Integration

The Electric Interconnection System for Central American Countries (SIEPAC, Spanish acronym) comprises a connection of **1,800 Km between Guatemala and Panama.**

IDB-supported achievements in regional energy integration in 2009-2014

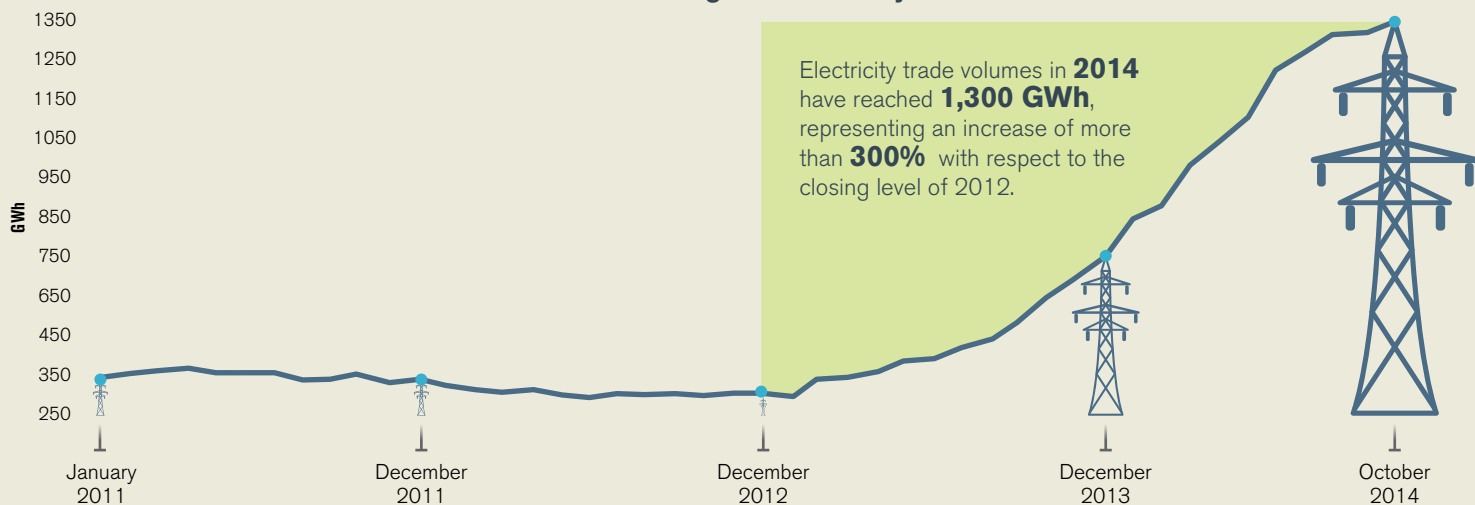


MER: Regional Electricity Market; **CDMER:** Regional Electricity Market Board of Directors; **CRIE:** Regional Electricity Regulatory Commission.

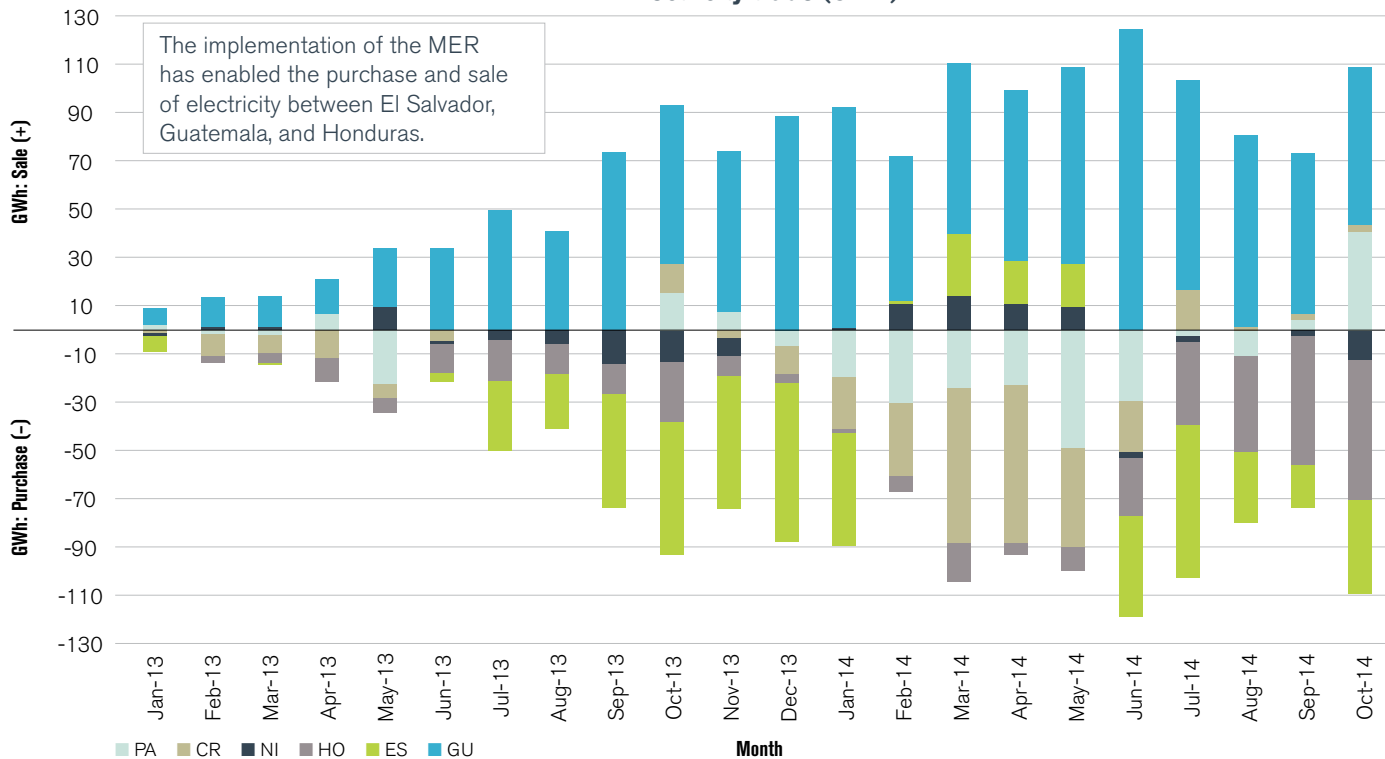
Regional Electricity Market

Regional Initiatives

Annual Trade in the Regional Electricity Market



MER - Electricity trade (GWh)



Coordinated Border Management (CBM)

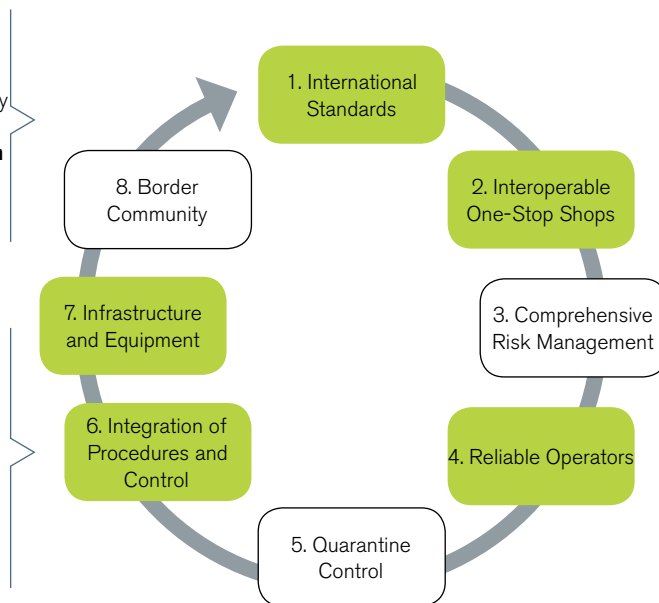
Regional Initiatives

The Mesoamerican Coordinated Border Management Program (CBM) comprises the implementation of trade facilitation and border control measures in order to significantly reduce time and cost of transit, and ensure effective and efficient control mechanisms for people and merchandise moving across the region.

Progress of the Mesoamerican Coordinated Border Management Program in the Northern Triangle

Development of a CBM model based on international standards. A comprehensive action plan is currently being structured. **Binational meetings for the implementation of short-term measures in El Salvador and Guatemala.**

Generation of studies addressing infrastructure and procedures reform in a number of border crossings. **Advanced studies:** *El Amatillo*
Preliminary studies: *Tecún Umán I and II – Suchiatel I and II, El Carmen – Talismán, Pedro de Alvarado – La Hachadura, La Ermita – Anguiatú, Guasaule*



Design and implementation of the International Merchandise Transit System (TIM) and support to the interoperability of single windows for foreign trade.

TIM implementation completed: El Salvador and Guatemala
TIM implementation in progress: Honduras.

Support to the implementation and operation of Authorized Economic Operator (AEO) programs.

AEO program implemented: Guatemala
AEO program in development: El Salvador and Honduras.



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