



World Bank Group

As Prepared for Delivery

*Remarks for Plenary Session of
Summit of Heads of State of the
Central American Integration System*

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Honorable President Funes, President Chinchilla, President Colom, President Martinelli, President Lobo, Excellencies, Ladies and Gentlemen,

I want to offer a special thanks to President Funes and the Government of El Salvador for convening this summit -- a timely initiative for advancing regional integration in Central America.

I appreciate all of you coming, because I think this is an important moment for the region

The world is recovering from a severe downturn; the turnaround is still fragile, with significant risks. So we need to help one another advance while facing uncertainties.

The crisis has also sharpened the focus on the rising influence of developing countries. For all of you, these new sources of growth offer both opportunities -- and competition. We need to strengthen the ability of your countries to compete in a global system.

On the economic side, the region could be more competitive if, working together, you removed bottlenecks to growth; modernized customs systems; facilitated trade; improved infrastructure, integrated your energy grid, and enhanced transport; strengthened the education and skills of your people; and created a better environment for private investment, small business and entrepreneurs.

As you know well, weak institutions and breakdowns in the rule of law undermine the ability of your governments to perform and of your societies to treat citizens with fairness and dignity.

This vulnerability, in turn, feeds insecurity.

These weaknesses harm your efforts to promote social inclusion -- so that the poorest and least educated, the marginalized, have an opportunity to build better lives for their families. By promoting inclusion, your countries will also benefit from the energies, hard work, and capability of all your citizens.

I believe there is an increasing recognition that deeper integration in Central America can help address these problems. I very much appreciate President Funes' efforts to lead the way with this conference.

One critical lesson is that these challenges cannot be solved by governments alone.

This summit brings together many participants involved in integration -- governments, the private sector, educators, NGOs, regional institutions, and multilateral development banks -- so that together we can expand opportunities across the region.

Past and Recent Integration Achievements

Of course, regional integration is not a new concept in Central America.

SICA itself was created in 1991. On July 1st, Belize took over the presidency of SICA. We look forward to working with Prime Minister Barrow as his government builds on the momentum generated by Panama's presidency in the first half of this year.

Regional trade flows in Central America have expanded over the past years. Today 20 percent of your exports go to other Central American countries.

You also have the Central American Bank for Economic Integration. And valuable private institutions, such as INCAE, which have encouraged entrepreneurs and businesses across the region.

I have personally experienced how the region can come together - - or come apart.

In the late 1980s and early 1990s, I worked on the peace accords and elections to end the terrible conflicts, to create an opportunity for democracy and the rule of law, and to combine security with economic opportunity.

Working with many of you, when I returned to the U.S. Government in 2001 as U.S. Trade Representative, we boosted regional integration by creating an FTA with the five countries of Central America and the Dominican Republic: CAFTA-DR. We also negotiated an FTA with Panama, which I hope the U.S. Congress will act on.

I recall that during those negotiations some of the biggest challenges were reducing barriers among your own countries - - not just with the U.S. - - so we could offer a bigger market for investment and business development.

We then complemented that trade initiative with investments from the Millennium Challenge Corporation, linked to good governance policies.

As I had hoped, your successes in Central American integration drew more attention from others.

Now, the EU and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama have reached an agreement on the trade pillar of their Association Agreement.

But we also have to be honest about the setbacks.

The effort to build habits of cooperation among your countries were weakened by assaults on fragile institutions of democracies, manipulations of judiciaries, abuse of security services and police, corruption, narco-traffickers, gangs, and winner-take-all politics.

It is a tragedy when governments and political parties use power to promote opportunities for a select group, instead of protecting the security and advancing the economic opportunity for all their citizens.

These setbacks weaken your countries. They also pull you inward and away from one another, so you cannot stand together.

You need one another. You need to help one another. And we at the World Bank, the IADB and other multilateral institutions need to help you to do so.

An Agenda for Integration

Today, integration in Central America is vital to expanding economic opportunity and generating prosperity through deeper ties among Central American countries and increasing links to the global economy.

Integration is key to regional cooperation on security, because your threats are trans-national, including organized criminal networks.

Integration can help support your democracies and your institutions: whether they be national, intergovernmental or private. Together you can resist the threats that might overwhelm a single government.

Integration is key to social inclusion, because of worker mobility and because regional projects can boost schools, centers of excellence, joint research, health projects, and business associations.

Integration is even important for managing risks, such as from natural disasters and pandemics.

The presence of all of the Central American countries and the Dominican Republic, represented here today at the highest level, sends a very powerful message. And I am encouraged that you are looking beyond summits and taking action.

Your seven countries have agreed not only on a declaration of intentions, but also on the adoption of specific measures and a roadmap to monitor your implementation. We would like to help by improving technical capacity of the line ministries in each country that will be responsible for implementing these actions.

Package of World Bank Group Initiatives

There are other ways we can help.

Today, I'm pleased to announce a package of Bank Group initiatives that will further support Central American regional integration:

First, the Bank Group will finance technical and advisory services through a \$1.3 million, two-year trade facilitation window.

This window will support trade facilitation efforts that deepen integration: mechanisms that implement single-window merchandise clearing processes; standardization of quality and phyto-sanitary controls; and improvements in the trading capacity of small market participants.

We also want to work with private sector partners, including some from our CAFTA-DR team, to cut red tape and lower costs. For example, the Global Express Association is working with some of you to streamline and automate customs procedures so as to expedite air cargo.

Second, we will support a training program managed by INCAE that will strengthen the capacity of the Central American civil service in the area of public administration.

INCAE has contributed to building a Central American business community. I would like to see INCAE draw on its professionalism to improve the capabilities, skills and integrity of public sector managers too.

Some of the world's leading practitioners -- drawn from the fields of economics, law, international political economy, and business administration -- will teach in the program.

Third, we will back a technical assistance facility that will strengthen SIECA's capacity to support trade promotion efforts. SIECA has a mandate to implement a regional integration agenda, including the Central American Customs Union. But its current limited capacity will be bolstered by a grant facility that will support institutional strengthening along several dimensions, including an assessment of SIECA's structure and preparation of a strategic regional integration plan.

Fourth, the World Bank Institute is coordinating a program to support judicial transparency and accountability in the region. The World Bank Institute has partnered with the Latin American Judicial Summit, the Legal Department, and the Region to design an Action-Learning Program.

The program will develop more accountable and effective judiciaries, facilitate the implementation of diagnostic surveys, and the design of action plans to improve transparency and accountability.

These regional projects can build on the work we do with each of your countries individually. Added together, the World Bank Group has about \$5 billion dollars of committed funds to your countries, including almost \$1 billion from IFC, our private sector arm. Our colleagues at the IADB are major supporters too. These resources can make more of a difference if you work together.

Concluding remarks

I hope this is just a start.

I wanted to come in person to hear from you - - to listen and learn what you believe needs to be done.

The World Bank Group has helped other regional groups - - in South East Asia, Africa, the Middle East, the Caribbean, and elsewhere, so we can share lessons learned elsewhere.

But as all of you know, the future depends on your decisions - - and actions.

So I hope this session also catalyzes your cooperation - - and not only by governments. I've seen time and time again, around the world, that healthy civil societies, including private business, universities and institutes, and NGOs - - are the muscle and tendons and ligaments that draw together the skeletal structure of societies.

The Central American leaders gathered here today have a unique opportunity. I encourage you to seize it and take the steps necessary to expand economic opportunity for your citizens and to let them contribute to their country's - - and region's - - future.

The World Bank Group will continue to be your long-term partner as you press ahead. Thank you for the opportunity to be with you.