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## **EXECUTIVE SUMMARY**

### **Description of the region**

The region comprises a number of subregional groups: Mexico, Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), and the Caribbean (13 countries); South America comprises the Andean Community (Colombia, Ecuador, Bolivia, Peru) and Mercosur (Argentina, Brazil, Uruguay, Paraguay and Venezuela) plus Chile.

Its population was 542 million in 2005, 58% of which living in only two countries: Brazil and Mexico. The population is expected to reach 628 million by 2015, with 81% concentrated in urban areas.

The subregional integration processes under way in Latin America since the 1960s have recently been accompanied by an upsurge in free-trade agreements between countries, which have had a crucial impact on trade by contributing to economic growth and the region's development. There have also been regional integration initiatives in recent years in the South American region (South American Community of Nations). All countries have adopted a market economy (liberalisation and privatisation), and some have seen considerable foreign investment, but the economic situation varies widely at regional level. In recent years the region has also suffered financial instability. However, economic indicators suggest that the return to growth will continue; ECLAC forecasts growth of 5.3% in 2006 and 4.7% in 2007, some of the highest rates recorded in recent years.

Although the region is, on average, the richest in the developing world, with an average per capita GDP of USD 4 000 in 2005, this varies widely from country to country (from USD 895 in Nicaragua to USD 7 200 in Mexico). Life expectancy is high (71 years) and infant mortality low. Services are a relatively large sector of the economy.

However, the region has record levels of inequality, with 50% of wealth being concentrated in the hands of 10% of the population (compared with 30% in the industrialised countries), over 200 million people living below the poverty line and about 88 million living in extreme poverty in 2005. Indigenous communities and ethnic minorities are often vulnerable and marginalised.

Although the Latin American region is extremely rich in natural resources and biodiversity, its environment is under threat from rampant urbanisation, deforestation with the attendant harmful consequences and natural hazards, which mainly affect the poorest sections of the population.

### **Summary of regional development cooperation programming**

Latin American regional programming slots into the framework of the Development Cooperation Instrument (DCI) and the follow-up to the summits between the EU and Latin America and the Caribbean, and in particular the 2004 Guadalajara summit and the 2006 Vienna summit, and is aimed at strengthening the strategic partnership between the European Union and Latin America. This partnership is conducted at three coordinated levels: regional, subregional and bilateral.

It is in line with the communication on a stronger partnership between the European Union and Latin America adopted by the Commission on 8 December 2005 and with development policy documents. The EU and Latin America pledged at the summits to develop a regional strategic partnership establishing close relations in the political, economic and social spheres.

Regional development cooperation between the EU and Latin America has traditionally been a key element in their relations and must be seen as complementing national and subregional programmes. It brings value added, a fact made clear by the evaluations, and has focused on networking initiatives between actors from the two regions. Its preparation and implementation demand close coordination with other donors (ECLAC, IDB, UNDP, ILO, etc.).

Cooperation with the Latin American countries combines a burgeoning network of association agreements between the EU and Mexico, Chile and, in the future, Mercosur, Central America and the Andean Community with the regional development cooperation programmes already under way, the aim being to foster the concept of partnership between the two regions: the EU and Latin America and the Caribbean.

In future programming, operations of this kind will have to be focused on the region's priorities. Three areas of regional activities have been identified for the period 2007-2013 on the basis of regional needs and the lessons drawn from past cooperation, which will need to be made sufficiently visible.

The three areas have been chosen to tackle the following regional challenges:

- (1) Social cohesion to consolidate the social fabric by, inter alia, reducing poverty, inequality and exclusion and cooperation in the fight against drugs  
URB-AL, EUROsociAL
- (2) Regional integration and economic cooperation  
AL-INVEST, @LIS
- (3) Human resources and mutual understanding between the EU and Latin America  
ALFA, ERASMUS MUNDUS

Special emphasis will be put on grouping programmes and on their names and visibility.

## INTRODUCTION

Since regional development cooperation programmes, some of which were mounted in the 1990s, have reached a degree of maturity, it is possible to draw lessons from their implementation.

This second regional programming exercise for Latin America, which follows on from the first document for the period 2002-2006, will take a more strategic approach to regional cooperation programmes.

An external regional evaluation and consultations have found that all beneficiaries - Latin American governments, representatives of civil society and the Member States - recognise the importance of these programmes, which bring actors in the two regions together to collaborate on issues of mutual interest.

There seems to be every reason to continue regional cooperation with all Latin American countries through this type of decentralised programme (AL-INVEST, ALFA, ALBAN, URB-AL, @LIS, EUROsociAL and EURO-SOLAR). Future programming will be guided by the evaluations of these programmes and the focusing of priorities on three strategic objectives.

### *1. The objectives of the European Union's regional development cooperation with Latin America*

#### **A) The institutional, legal and political framework**

The main legal and financial instrument governing European Community cooperation with Latin America in the period 2007-2013 is the Regulation of the European Parliament and of the Council establishing a financing instrument for development cooperation (DCI), which is based on Article 179 of the EC Treaty.

The European Union's cooperation policy is based on Article 177 of the EC Treaty. It provides that Community policy in the sphere of development cooperation shall foster the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them, the smooth and gradual integration of the developing countries into the world economy and the campaign against poverty in the developing countries. It also contributes to the general objective of developing and consolidating democracy and the rule of law, and that of respecting human rights and fundamental freedoms.

Article 181a of the EC Treaty also provides that the Community shall carry out economic, financial and technical cooperation measures with third countries that are complementary to those carried out by the Member States and consistent with the development policy of the Community. Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law and to that of respecting human rights and fundamental freedoms.

The Joint Declaration by the Council and the Commission of November 2005 on European Union development policy defines the objectives and principles which should guide Community action, in particular greater coordination between the Commission, Member States and leading donors to ensure better complementarity of aid, concentration of Community activities, examination of consistency with Community policies and the preparation of country strategic papers.

The Commission's programming is intended to underpin closer dialogue on policies and reform in Latin America through action which is conducted at the most appropriate levels (national and regional) and tailored to different categories of country, priority being given to helping the poorest countries.

Regional programmes have a specific purpose, and operate according to the principle of subsidiarity and their aim is to promote partnership between the two regions on issues of mutual interest.

The Commission set out its objectives for relations between the EU and Latin America at the fifth Summit of Heads of State and Government of the European Union, Latin America and the Caribbean

in Vienna in May 2006. These focus on three priority areas: multilateralism, social cohesion and regional integration. The strategic partnership between the EU and Latin America, which was set in motion by the Summit process, underpins political dialogue with countries, subregions and the Rio Group. It has led to association agreements with Mexico and Chile. Negotiations are under way with three subregions: Central America, the Andean Community and Mercosur. These have reached differing stages according to the level of integration; these stages were fixed at the last summits.

On 8 December 2005 the Commission adopted a new communication (COM(2005) 636 final) on a stronger partnership between the European Union and Latin America. This underlines the need to establish a closer strategic partnership through a network of association agreements involving all countries in the region and helping to contribute to the region's integration as a whole through the following measures:

- establishment of genuine political dialogues to increase the influence of both regions on the international scene;
- development of effective sectoral dialogues with a view to reducing inequalities sustainably, promoting sustainable development and tackling poverty;
- contribution to the development of a stable and predictable framework to help the Latin American countries attract more European investment, which will eventually contribute to economic development;
- tailoring of aid and cooperation to the needs of the countries concerned;
- increasing mutual understanding through education and culture.

## **B) The international framework: the Millennium Development Goals**

The new programming strategy for 2007-2013 is consistent with the European Consensus on Development, a joint statement adopted by the Council, the European Commission and the European Parliament in December 2005, which focuses on reducing poverty in a context of sustainable development and the Millennium Development Goals. The EU's new development policy highlights the importance of partnership with the developing countries and the promotion of good governance, human rights and democracy for more equitable globalisation. It calls for a greater role to be played by civil society and examines the problems of conflict situations and failing States.

The latest United Nations report published in June 2005, "The Millennium Development Goals: a Latin American and Caribbean perspective", explains that the region cannot achieve these goals unless the following conditions are met in the countries of this region:

- an annual growth rate of between 3% and 4.4% according to the country's level of development;
- institutional changes to promote equality and to put social policy at the heart of development;
- social programmes focusing on health and nutrition for the young, women and new-born babies;
- a genuinely innovatory tax pact to generate public resources accompanied by a commitment to transparent administration by the public authorities;
- an official development assistance to the poorest countries, Nicaragua, Honduras, Bolivia, and Guatemala, to supplement their internal resources;
- conclusion of the Doha negotiations to give the region access to developed countries' markets for its agricultural products.

## **2. The region's situation and challenges, priorities in its relations with the European Union**

### **A) Improve social cohesion by reducing poverty, inequalities and exclusion**

- *Reduce poverty: the Millennium Development Goals*

Latin America is made up largely of middle-income countries with huge inequalities and a poverty level of around 41% in 2005. 90% of the region's poor live in middle-income countries. The UN's 2005 report on the implementation of the Millennium Development Goals in Latin America highlights

the lack of progress. The greatest progress has been made in reducing malnutrition, infant mortality, access to water and enrolment of girls in schools. Between 1990 and 2005 extreme poverty fell from 22.5% to 17.4% with better performances being recorded in the more developed countries. In the five poorest countries some 30% of the population live in extreme poverty.

Employment is still the main source of concern: according to official figures, unemployment rose above the 10% threshold in 2005. The quality of jobs is also an issue, with a huge informal sector in urban areas and low-productivity farming that employ 50% of the population. The natural and built environment is deteriorating. As this mainly affects the poor, they are even more vulnerable.

- *Inequality and exclusion*

Economic growth has had a limited impact on reducing poverty since wealth is concentrated in the hands of a minority, the highest concentration of any region in the world in terms of the Gini coefficient.

These inequalities, particularly in income, are a serious obstacle to poverty reduction and to sustainable economic development itself and, ultimately, a threat to the region's political stability. Studies, and in particular recent events in certain countries, have shown that governments are unable to meet their citizens' expectations in terms of social policy and access to jobs. In most Latin American countries the State cannot provide basic services. These failures on the part of the State are mainly reflected in the lack of effective tax policies and redistribution of wealth and in the lack of fair access to justice. Statistics from ECLAC's ILPES Institute (1999-2000) on tax pressure (including social security contributions) as a percentage of GDP show a total of 16.6% for the region as against 38% (twice as much) for the OECD countries and 41.5% for the European Union.

Lastly, as the World Bank report on poverty among indigenous peoples bears out, exclusion mainly affects indigenous groups and ethnic minorities, who fail to benefit from development

- *Strengthening democratic systems, institutional legitimacy, the role of civil society and protection of human rights, especially those of indigenous peoples, women and minorities.*

A number of studies (Latinobarómetro, the UNDP's PRODDAL report on democratic governance, etc) show that, although there appear to be basic conditions for democracy in Latin American countries, these are jeopardised by serious problems of poverty, unemployment, the lack of political debate, participation by civil society, indigenous people and women and the fragmentation of society in a context where political and economic power is concentrated in the hands of a minority. Social cohesion and reduction of inequalities are key factors for this region.

Although significant progress has been made on education, health and recognition of civic rights, it is a matter of concern that a large section of the population has a poor view of certain political systems, judged incapable of responding to their economic needs, and needs for social equality and access to basic political, economic and social rights.

Though a number of the region's governments have ratified the ILO international instruments on the rights of indigenous peoples<sup>1</sup>, transferring international commitments into national law and practice is slow, when indeed they are not breached.

Latin American citizens blame the ruling classes and their incapacity to adopt adequate reforms. They also criticise political parties for their failure to provide political mediation. This demonstrates the structural weaknesses in the rule of law, which are a threat to the credibility of national institutions, democracy, good governance and stability in the region.

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<sup>1</sup> ILO Convention 169 on Indigenous and Tribal Peoples has been ratified by Argentina, Bolivia, Brazil, Columbia, Costa Rica, Dominica, Ecuador, Guatemala, Honduras, Mexico, Paraguay, Peru and Venezuela. ILO Convention. 107 on Indigenous and Tribal Populations is still in force for Cuba, El Salvador, Haiti and Panama.

It is recommended that these priorities be tackled as a matter of urgency in any economic reform, that a wide public debate be instigated, and that institutional capacity and legitimacy be built up.

**B) Future outlook: a commitment by both regions to give impetus to their economic relations in a difficult situation**

An analysis of the situation in recent years shows marked differences and economic inequalities between countries, high levels of indebtedness (an external debt of 46% of GDP in 2003 and a debt burden of 2.3% of regional GDP compared with 1.6% in 1997) and dependence on, and volatility of, external financing following a drop in foreign investment and the price of exported commodities. UNCTAD has reported a general worldwide decline in investment, which has mainly been redirected to the developed countries. Latin America has not been spared; indeed it has been worse affected than other regions as foreign investment has played a greater role in external financing (in Brazil and Argentina) than internal investment and savings. Although foreign direct investment (FDI) grew on average each year by 43% until the late 1990s, this was mainly due to massive privatisation programmes which have now been completed and, in some cases, called into question by public opinion. The region must diversify investment by focusing it on more profitable exports in the light of progress in trade negotiations.

If the region's trade strategy is to succeed, it must invest in efforts to improve innovation and the competitiveness of its infrastructure, research, technological development, education and training while taking account of the impact of these activities on the natural environment and the sustainable management of natural resources.

Regional integration is an effective instrument for developing the region, including reducing poverty, by developing markets, obtaining economies of scale, creating opportunities for export diversification and reducing dependence on a small number of products subject to fluctuating prices. It will increase Latin America's resistance to the volatility of capital transfers and global shocks. The EU supports the integration process in Latin America and its subregions.

The conclusion, in 2004, of an agreement between the Mercosur countries and the Andean Community to create a future South American free trade area is a sign of the region's political will.

The EU is giving top priority to the conclusion of association agreements with Mercosur and hopes to do so with the other two subregions in the phased approach agreed in Guadalajara in 2004 and Vienna this year.

- *Trade relations and investment*

Promoting trade and investment is a key factor for economic growth, job creation and poverty reduction.

Though the last 15 years have seen trade between the EU and Latin America increase significantly in absolute terms, an increase perceptible throughout the regions/countries of the South American subcontinent, the potential for growth in trade and investment between the two regions has not been sufficiently exploited. After growing rapidly in the first half of the 1990s, EU trade and investment in Latin America has now slowed relatively. Latin America's share in EU exports fell from 6.48% in 2000 to 4.95% in 2004, in value from €55 billion to €48 billion (whereas Latin American exports to the EU rose slightly). Since 2002 the EU has had a trade deficit with Latin America.

This reversal is attributable mainly to sluggish economic growth in Europe and the dynamism of the United States, whose trade with its southern neighbours has risen by over 200% since 1990 according to ECLAC statistics.

The relationship remains very one-sided: the EU is a major trading partner for Latin America (leading partner for Chile and Mercosur, second partner for Central America, the Andean Community and Mexico accounting for 10% to 25% of trade flows to the EU, 15% on average), but Latin America still plays a very marginal role in the EU's overall trade with around only 5% (close to 1990 figures).



In investment terms, although the EU is the leading investor in Latin America with FDI accounting for €90 billion in 2003, this has fallen from its 2001 level (€147 billion), particularly in the Mercosur region (from €20 billion to €7 billion in Brazil and from €50 billion to €8 billion in Argentina between 2001 and 2003). This is well below the levels in the mid-1990s largely as a result of the privatisation programmes adopted by governments in the region. However, the fall in FDI in the early part of this century is mainly cyclical in nature and is due to the economic crisis in Argentina and Uruguay, which has had an impact on investor confidence throughout the region. The latest Eurostat figures show a slight increase in FDI in Latin America.

- *Favourable outlook*

After a period of average annual growth of less than 2% (1990-2003), the region has recovered well, recording growth rates of 5.7% in 2004 and 5.9% in 2005. The outlook for 2006 and 2007 (ECLAC August 2005) is optimistic, with forecast growth of between 4.3% and 4.5% a year. This growth is attributable to sound economic conditions, sustained demand for raw materials, a 22.8% increase in exports and falling interest rates, all factors which create a climate conducive to a recovery in investment (increase of 38%, USD 44 billion, in FDI) and internal consumption (over 5%).

External debt now accounts for 27.1% of GDP compared with 43% at the end of 2004. Remittances from migrants, which now accounts for over 2.2%, USD 60 billion, also play a significant role (USD 20 billion for Mexico alone). On the basis of these figures, ECLAC analysts believe that the region is better prepared to meet the challenges ahead.

### **C) Working together to tackle regional challenges**

- *The quest for stability and sustainable development*

At a time when the countries of the region face challenges crucial to their development (trade liberalisation, security, drugs, migration, environment, energy, new technologies, etc), it is vital that the disparities between them be removed so they can tackle their common problems. In its search for sustainable development (including peace and stability) the region must try to reach greater convergence at all levels: political, economic and commercial, and systematically take account of social and environmental concerns.

Globalisation is reflected in multinational rules, which are essential for all international players. The EU and Latin America attach great importance to these rules, as attested by the declaration adopted at the last summit, which reiterates their joint support for a number of priorities: defence of human rights, the International Criminal Court, ratification of United Nation conventions on organised crime, corruption, climate change, protection of biodiversity, etc.

The two regions must work together to build a set of transparent and equitable global rules and to contribute to global governance, cooperate on human rights and trade, and implement international agreements. Combating drug trafficking is a top priority given its huge expansion and repercussions in terms of consumption, rising crime, corruption, money laundering and environmental damage that go far beyond the boundaries of the cocaine producing countries alone.

- *Cross-border environmental challenges, a threat to development*

The Latin America region faces many environmental challenges. The environment is deteriorating rapidly across the region owing to the poor socio-economic conditions of large swathes of the population, the Latin American economies' high dependency on the exploitation of natural resources and their growing vulnerability to natural disasters caused by the climate. Climate change, water, biodiversity and forests are issues of serious concern in most Latin American countries and should therefore be priorities for action by the EU.

Both Latin America and the EU face environmental challenges, some of which are global in reach. These include climate change, deforestation and loss of biodiversity. The region's performance in terms of MDG indicator No 7 (ensure environmental sustainability) is patchy. This is illustrated by the

fact that in 2000, although the region's forests covered 47% of its territory, compared with a world average of 30%, the rate of deforestation over the last decade has reached 5% (forest fires, agriculture, infrastructure, mining, use as fuel and intensive exploitation of certain species). This has led to a decline in water resources, soil erosion, loss of biomass and loss of biodiversity.

The loss of biodiversity is a particular problem since many Latin American countries have a remarkable biodiversity (Brazil, Colombia, Ecuador, Mexico and Peru are in the global top ten for biodiversity) and a major role to play at this level. Latin America is home to 40% of all species found in the world's tropical forests. Colombia alone accounts for 10% of the world's plant and animal species. However, the loss of habitat is already threatening many Latin American species and could be the proximate cause of a serious loss of biodiversity. Curbing deforestation is a major challenge for most Latin American countries. The conservation and rational use of such forests are crucial to achieving the global objectives for biodiversity. However, the impact of Amazon basin on the world's climate – not just as a sink for carbon and emissions from its combustion but also for its influence on the water cycle – gives the Community a further reason to focus on Amazonian forests.

These forests also provide the means of subsistence for millions of Latin America's poorest people, including indigenous peoples.

Latin America's share of global greenhouse gas emissions is currently relatively low (about 4%). The potential future impact of climate change and land use could, however, be considerable and costly for the region. Furthermore, the release of carbon dioxide into the atmosphere as a result of ongoing deforestation in Latin America could alter the global carbon balance. Most Latin American countries are already experiencing longer periods of drought and frequent, violent hurricanes, floods and landslides that adversely affect their overall economic development. This can only be ascribed to climate change. It is therefore vital that governments and donors consider measures to reduce climate change and adapt to it. Whether economic growth is maintained in the long term will partly depend on a country's capacity to adapt to climate change.

Since the late 1980s the region has performed poorly in terms of energy efficiency (relationship between economic growth and energy consumption), with a 7% increase in 1999 compared with a 20% reduction in OECD countries

Conversely, in 1995 the region accounted for only 11% of CO<sub>2</sub> emissions worldwide, of which 4.3% were due to the use of fossil fuels and the remainder to deforestation, as against 70% in the case of the developed countries. Although considerable efforts have been made to provide access to drinking water and sanitation, there are still huge problems to be overcome (lack of access for the population, lack of integrated management and sanitation problems). Implementation of the EU Water Initiative will be a litmus test for the region's commitment and an exercise to be monitored by the Commission as part of its programming.

### ***3. Past development cooperation, coordination with other donors and consistency with policies, including the new thematic instruments***

#### **A) Regional programming today**

The Commission has an arsenal of thematic and geographical cooperation instruments, framed by the Development Cooperation Instrument (DCI), to implement the European Union's priorities with Latin America. In the past it has used horizontal budget lines, including those for NGOs, human rights, environment and food security, to provide funding for activities linked to global priorities. Although this funding is not assigned automatically to particular countries or regions, it may involve significant amounts.

This regional programming document is not based on thematic horizontal budget lines; it takes account of the complementarity between the different instruments. As part of the reform of financial instruments, thematic headings have been replaced by seven global thematic programmes consistent with the principle of subsidiarity for national and regional programming.

The European Union (Member States and the Commission) is the region's leading donor, even outstripping the United States (see Annex VII), with the Commission providing an estimated €450 million a year on average. Increasing the effectiveness of its intervention is therefore essential.

The regional programming document is one of 21 programming documents adopted by the Commission under the procedures laid down by the DCI. The 21 CSPs and RSPs cover 17 countries, three subregions and the region as a whole. The main areas of cooperation in the past were the social sector (education and health), institutional capacity-building and the rule of law, regional integration, trade and investment support, the environment, prevention of natural disasters and integrated rural development.

**(a) Past developments in regional cooperation**

In the 1990s the Commission launched a number of programmes in parallel with its bilateral and subregional cooperation operations to develop relations between actors in the two regions, principally civil society. It set up AL-INVEST (funding for meetings between SMEs), ALFA (cooperation between higher education establishments), URB-AL (exchanges between local authorities), which have already been renewed, and then ALBAN and @lis. EUROsociAL introduced for the first time operations targeted primarily at national public administrations.

Regional programmes have a specific purpose, and operate according to the principle of subsidiarity. Their aim is to promote partnership between the two regions on issues concerning common challenges.

They have been built on the basis of policy dialogue priorities, which are reflected in Commission communications and declarations at the Summits of Heads and State and Government of the two regions. These concern in particular the Information Society and higher education (Madrid), reflected in the @lis (Alliance for Information Society) and ALBAN (programmes of high-level training bursaries) programmes, and social cohesion (Guadalajara), reflected in the EUROsociAL programme. This was developed by the Commission to help tackle a major challenge which is a priority of the biregional partnership.

Under the ALA and DCI Regulations, the regional programmes have followed an original approach driven by a number of criteria: interests shared by the countries of the region, operations cofinanced by recipients in accordance with the regional priorities for the entire region; complementarity with other intervention networks, economies of scale; the existence of partnership networks in the two regions.

**(b) Implementation of regional programming 2002-2006**

**1. Description of programmes**

- *Timetable:* the concept of regional horizontal cooperation and most programmes had already been introduced by the early 1990s before the 2002-2006 regional programming document was drawn up. The objective of programming was therefore to provide a framework for regional intervention in line with the new rules adopted by the European Commission and to programme other measures tailored to meet strategic priorities. Moreover, most of these programmes are scheduled for completion after the end of the current programming period (see following table); only then will it be possible to evaluate them and draw any lessons. The lifetime of these programmes will extend beyond the dates indicated since the measures they fund do not end until two to three years after these dates.
- *Large-scale programming:* the Commission has programmed €289.5 million over six years for regional projects, some 25% of the financial allocation for Latin America for this period. Programmes such as ALFA, URB-AL and @lis had already been launched in 2000/2001.

State of play in activities programmed:

**Measure 1: Strengthening the partnerships between civil society networks**

- ALFA II (cooperation between higher education establishments): two tranches paid in 2002 and 2004 – evaluation conducted in 2005

- ALBAN (higher education scholarships): launched in 2002, second tranche paid in 2006 – mid-term evaluation conducted in 2005
- AL-INVEST III (meetings between companies): launched in 2002 – evaluation of AL-INVEST II conducted in 2006
- @LIS (pilot projects, regulatory dialogue) decided at the end of 2001 and launched in 2002. It is to be evaluated in 2007/2008

**Measure 2:** Social initiative: reduce inequality

- EUROsociAL launched in 2004 – evaluation in 2009-2010.

**Measure 3:** Preventing and combating natural disasters

It has been agreed that priority would be given to projects in the two most vulnerable subregions: support for civil protection in the Andean Community, and prevention of natural disasters in Central America. The funds have been earmarked for emergencies.

**Measure 4:** Accompanying measures for the strategic partnership

- Observatory for European-Latin American relations: OBREAL was set up in 2004 – evaluation in 2007

**REGIONAL PROGRAMMES**

Programme	Sector	Beneficiaries	Activities	Duration	€million
URB-AL II	Urban development	Urban areas	Pilot projects	2001-2006	50
AL-INVEST III	Trade/investment	Companies	Meetings between companies	2003-2007	46
@LIS	Information society	Universities, NGOs, organisations	Pilot projects, regulatory dialogue	2002-2006	63.5
ALFA II	Education	Universities (teaching)	Exchanges Good practice	2000-2006	52
ALBAN	Education	Students/universities	High-level scholarships	2002-2010	88.5
EUROsociAL	Public policies: - taxation - justice - health - education - employment (social cohesion)	Public administration institutes and ILO	Exchanges of experience in policy making	2004-2009	30
Observatory	Think tank	Universities	Studies and seminars	2004-2007	1.5
Euro-Solar	Energy policy and administration	Rural communities	Development of projects	2006-2010	24
Natural disasters	Reserve				32

These programmes bring together civil society actors in both regions through higher education scholarships (ALBAN), exchanges of experience, good practice, meetings between SMEs (AL-INVEST) and demonstration projects (URB-AL and @LIS). The Observatory is a think tank for the EU-AL partnership in priority policy areas (social cohesion, drugs and migration, regional integration, etc).

The areas covered are education (ALBAN, ALFA, @LIS and EUROsociAL), health (@LIS and EUROsociAL), social inclusion (EUROsociAL, URB-AL, @LIS/demonstration projects), the Information Society (@LIS, ALFA and URB-AL), investment and trade (AL-INVEST) and renewable energy (EURO-SOLAR).

The Commission has also contributed to the work of two international organisations in Latin America in its two priority areas, regional integration and social cohesion:

- the Economic Commission for Latin America and the Caribbean (ECLAC) concerning macroeconomic coordination at regional level, plus support for ECLAC's REDIMA programme; the Commission is providing support for an area of major priority for Latin America: strengthening of dialogue and macroeconomic coordination and economic policies (€1.2 million in two phases finishing in 2006).
- The United Nations Development Programme (UNDP). The dissemination of the UNDP's PRODDAL (programme for the democratic development of Latin America) report and the new SOCIAL AGENDA programme figure among the priority measures for promoting good governance for social cohesion in Latin America.

Programme management: After a phase of direct management by the Commission following the reform of its external departments in 2002, these departments' responsibilities were devolved to the Commission's delegations, which now carry out most programme management. However, this model has not been adopted for management of regional programmes which concern all countries. Consequently, management is increasingly undertaken for a certain number of programmes by representatives of beneficiary groups in the form of consortia in accordance with the Commission's grant aid rules. These recipients also contribute towards between 20 and 30% of the cost of an operation. The Commission believes this approach increases stakeholders' involvement in these programmes.

## **2. Results and impact**

- *A generally positive assessment*

Regional programming has proceeded satisfactorily with the planned measures launched (or in the process of) according to objectives and timetable. These programmes are generally considered a success. This is borne out by the various evaluation tools available to the European Commission, including an evaluation of the regional strategy (1996-2003) published on EuropeAid's website, consultations with the partners concerned in the two regions and the preliminary results of programme evaluations.

The consensus on these programmes was confirmed at the meeting of Directors for cooperation of the two regions in Costa Rica in 2002. They also underlined the regional importance of the following themes: education, social cohesion and governance, culture, science and technology, economic cooperation and business development and the Information Society.

Paragraphs 86 and 87 of the declaration of the European Union's Summit with Latin America in Guadalajara in 2004, as confirmed at the 2006 Vienna Summit, express support for these programmes:

*"We will promote the allocation of funds for biregional cooperation, in order to strengthen the process of biregional partnership between Latin America, the Caribbean and the European Union. We express our deep interest in continuing to support cooperation programmes and projects such as AL-INVEST, @LIS, ALFA, ALBAN, and our will to reinforce a decentralised approach on which such programmes are based, in order to increase future coverage, in terms of participants and recipients, of both regions in similar programmes."*

- *Evaluation: scope for improvement*

The results of evaluations and consultations show that although, in principle, this type of action should continue, their future design needs to be improved in the light of past experience, in particular as regards the following aspects:

*(a) Balance in the participation of beneficiaries*

The weaknesses identified are the need for greater representative participation by the region, extension beyond beneficiary networks, better linkage with the policy priorities of the biregional partnership and complementarity with other types of cooperation, in particular cooperation in the field of regional integration.

*(b) Greater visibility*

There must be greater programme visibility through national communication campaigns, particularly in countries where participation is lowest, inter alia via schemes such as the URB-AL documentation centre and the Observatory for EU-LA decentralised local cooperation.

*(c) Government participation*

The governments of countries in both regions would like to be more involved in the drafting of programmes, particularly in cases where their funding and administrative and management capacity are called upon. There should be an exchange of information and possibly dovetailing with some national programmes.

As there is no institution representing Latin American countries with which the Commission could discuss these matters, the Commission will hold an informal dialogue with members of the Latin American Group (GRULA) represented in Brussels. This should help create closer links between cooperation instruments and regional partnership priorities.

*(d) Programme focus and sustainability*

It is also recognised that these programmes, their number and methods of management should be rationalised to maximise their cost-effectiveness and their impact, even if this can only be measured more accurately in the longer term.

Finally, these programmes must incorporate the idea of sustainability to ensure continuity of networks and activities beyond their lifetime (if necessary). This indicator will measure their success and ownership by the actors involved.

**B) Other Community regional financing and consistency with Community policy (see Annex X)**

*(a) Programmes under more general Community policies*

**Technological research and development:** Research cooperation initiatives, especially such Community framework programmes as the Seventh R&D Framework Programme (2007-2013), are aimed at strengthening cooperation with the Latin American countries through the establishment of instruments that will help cooperation move on from a predominantly bilateral framework to a biregional dialogue. Exchanges of researchers will also be a key strand of this cooperation.

The recent creation of information platforms in Latin America to disseminate European research programmes is also noteworthy. These platforms are both regional and issue-based, addressing research areas of mutual strategic interest, including energy, health, biotechnology and the environment.

**Coopener** (energy) concerns eight of the poorest countries in Latin America and finances (€ million) institutional capacity-building in energy efficiency and renewable energies.

**The Erasmus Mundus programme** finances higher education scholarships in the EU and EEA/EFTA countries for third-country students. In 2005/2006 scholarships were granted to 137 students in Latin America: Brazil (47), Mexico (20), Argentina (17), Colombia (12), Chile (10), Peru (9), Bolivia (5), Guatemala (5), Ecuador (4), Venezuela (4), Paraguay (1), Nicaragua (1), Panama (1) and El Salvador (1).

*(b) Thematic budget lines (until 2006)* focus on biregional projects which are usually carried out by non-governmental organisations or civil society.

**Environment and forests** (€342 million for 2000/2006, €93 million of it for the environment and €249 million for forests) of which Latin America's share averaged 25%.

The objective of the projects financed is to make the environment an integral part of a country's development by focusing on trans-border issues linked to the implementation of international agreements (climate, biodiversity and desertification), reduction of the environmental impact of macroeconomic and sectoral policies, sustainable management of natural resources and protection of tropical forests.

**Partnership with NGOs:** over the period Latin America received about 25% of an allocation of around €200 million a year for the whole world. Aid was focused on capacity-building measures for the poorest sections of the population in the poorest countries carried out with civil society actors. The areas covered are the social, human and economic sectors, institutional support for development of local structures, measures linking reconstruction and post-disaster rehabilitation, and measures in countries affected by conflicts. The second objective is to promote development policy.

**Human rights:** 68 projects concern Latin America (€54.5 million). 10% of them are regional and being carried out in the following areas: capacity-building of democratic institutions, consolidation of the rule of law, participation of civil society, prevention of torture, promotion of the rights of indigenous peoples, education in the promotion and observance of human rights.

**Migration:** there is a specific funding programme for migration and asylum (AENEAS) which has been allocated €250 million for 2004-2008 to finance measures to incorporate the migration dimension in external projects. Latin America was given priority in the calls for expression of interest under the AENEAS programme in 2005 and 2006. For Latin America the priority is to support the development of an EU-Latin American interregional dialogue, and more specifically to facilitate remittances, collection and processing of data on migratory flows and legal assistance for victims of human trafficking.

A targeted project with the UN International Fund for Agricultural Development will also be carried out in the region. The objective of this project, which will be carried out in cooperation with the IDB, is to create a funding mechanism to facilitate remittances by migrants in Europe to rural areas in Latin America and the Caribbean.

*(c) The new thematic instruments*

The new Development Cooperation Instrument (DCI) adopted in 2006 includes five thematic programmes: "Food security", "Investing in people", "Non-State actors and local authorities in development", and "Environment and sustainable management of natural resources including energy", which are being prepared by DG DEV, and "Migration and asylum", for which the lead DG is DG RELEX. The thematic programme for human rights and democracy is covered by a separate regulation.

**"Food Security Strategy Paper and Multiannual Indicative Programme for 2007-2010"**

The key aspect for the Latin American countries is that they are eligible for three categories of programme: regional programmes, interim programmes (gradually phased out) and innovative programmes.

The 2007-2013 thematic programme "Investing in people" covers health, education, gender and other aspects of human and social development, including youth and children, employment and social cohesion, decent work and culture. The chapter on social cohesion, employment and decent work is particularly relevant to Latin America.

### **"Non-State actors and local authorities in development"**

Part of this programme's funding is earmarked for action in Latin America. Most Latin American countries have been identified as priorities for the first multiannual programme (2007-2010), with the principle target being "difficult partnerships" and the second "remote communities".

It is expected that civil society in all subregions of Latin America will benefit from the programme's regional component.

### **"Environment and sustainable management of natural resources including energy"**

The programme comprises five key areas: 1. Working upstream in assisting developing countries to achieve the MDGs; - 2. Promoting implementation of the EU's initiatives and international commitments; - 3. Enhancing expertise in matters of integration and coherence; - 4. Strengthening environmental governance; - 5. EU leadership and energy. Latin America is expected to benefit particularly from the chapters on climate change, biodiversity and the management of land and forests.

### **"Migration and asylum"**

The migration programme focuses in particular on countries with considerable migratory flows (e.g. the Andean Community and, to a lesser extent, Argentina and Uruguay). Though the root causes of migration are generally directly or indirectly addressed by country and regional strategy papers, the thematic programme on migration addresses additional financing for targeted activities (generally at a lower level), and in particular initiatives addressing the nexus between migration and development (remittances, brain drain, etc.) and measures to tackle illegal migration and people-trafficking (including measures to step up border controls, false documents, etc.). The current version of the programme earmarks €16 million for action in Latin America and the Caribbean in the period 2007-2010.

## **Human rights**

A new strategy is being prepared as part of the new Human Rights Initiative. Following the guidelines laid down in Article 5 of the DCI Regulation, the European Initiative for Democracy and Human Rights (EIDHR) programme should benefit non-state actors, civil society organisations and local authorities in most Latin American countries.

### **C) Complementarity between Community aid and that of leading donors**

The EU's regional Latin America cooperation programmes (AL-INVEST, URB-AL, @LIS, ALFA, EUROsociAL...) has hardly any equivalent among other donors which provide aid at national or subregional levels.

Official development assistance to Latin America in 2004 amounted to USD 6.8 billion, USD 11.7 per capita (World Development Indicators, World Bank ([with the Caribbean]). With USD 2.5 billion, USD 1.8 billion of it in the form of grants, the EU, the European Commission and the Member States are the leading donors, ahead of the United States. The main beneficiaries are Bolivia, Nicaragua and Peru (OECD/DAC statistics – see Annex VII).

The IDB is one of the Commission's main partners in Latin America. Since the Commission signed a Memorandum of Understanding in 2002 with the Inter-American Development Bank, they have cooperated in the following priority areas: social justice, poverty reduction and regional integration. The IDB is particularly interested in the potential of transfer of EU good practice to Latin America in these areas. The Commission recognises the IDB's expertise in Latin America, its analytical capacity



and the importance of coordination. Joint projects have been mounted in all priority areas since 2002, in particular through seminars in Europe and Latin America. The two institutions meet regularly to exchange information and prepare joint projects. The IDB was involved, in particular, in the preparation of the Guadalajara and Vienna Summits, and a joint initiative has been developed on social cohesion (see Part 4).

The Commission coordinates activities with other donors, including the international financial institutions (IFIs) through an informal network on poverty-reduction policy in Latin America, in liaison with poverty-reduction strategies linked to the debt-relief initiative (Bolivia, Honduras and Nicaragua). The objective is to improve the practices and methods used by donors to increase development policy's effectiveness in reducing poverty.

The Commission has also worked with ECLAC in a number of areas: regional integration (macroeconomic dialogue networks set up by ECLAC); the Information Society (regulatory dialogue on the Information Society); social cohesion (participation in the working party on this issue before the Guadalajara Summit, member of the EUROsociAL strategic committee). On 7 November 2006 the European Commission and ECLAC signed a Memorandum of Understanding to develop joint priorities in the region in three areas of cooperation: social cohesion, regional integration and statistics.

The European Investment Bank (EIB) provides aid in the region in the form of loans for European investments of mutual interest.

Since operations began in 1993 under the first ALA mandate, the EIB has provided 81 loans totalling €3.5 billion to more than 20 Latin American (66%) and Asian (34%) countries. Demand has been and remains, extremely strong.

For the period 2000-2007 (ALA III), loans to January 2005 totalled €1.7 billion for Latin America, and funds were used in their entirety. The sectors represented are: energy 28%, communications 23%, industry 32%, water 6% and development banks 11%. Brazil took the lion's share followed by Argentina, Mexico, Panama and Peru.

The new 2007-2013 EIB mandate was adopted in November 2006; it includes €2.8 billion for Latin America facilities. The planned sectors of intervention are infrastructure and regional interconnectivity.

#### **4. *Response strategy for 2007-2013***

The Commission considers that, in accordance with the declarations made at the EU-LA Summits, the strategy for cooperation, including regional cooperation, must, in line with the DCI Regulation, reflect the priorities of the biregional partnership: multilateralism, social cohesion and regional integration. Regional programming focuses on three priority areas in which support will be given to help the countries in the region develop their capacity to meet regional challenges, including help to improve their competitiveness and develop a secure and stable economic environment throughout the Latin American region.

The Commission's efforts will focus not only on ways of doing so but also on the sectoral areas of aid linking cooperation to the political partnership between the two regions and improving the quality and effectiveness of regional instruments/programmes to be developed in line with the priorities for Latin America set out in the DCI Regulation.

##### **A) *The three strategic focal sectors***

###### **(a) *Social cohesion, reduction of poverty, inequalities and exclusion***

Social cohesion and reduction of inequalities were identified as priorities at the 2004 Guadalajara Summit and the 2006 Vienna Summit. The declarations adopted at the summits underscore recognition of the State's responsibility, the need to increase public spending and public social investment, to improve tax policies and redistribution of income, to incorporate these dimensions in national strategies and reduce the degree of external dependence. The Vienna Summit reaffirmed social cohesion as a shared objective and a key priority for the strategic partnership with the EU. The social

cohesion objective encompasses the reduction of poverty, social inequalities and exclusion. All the governments have reiterated their pledge to promote responsible public policies to foster the creation of decent and productive work and to tackle inequalities and social exclusion.

In line with Articles 5 and 6 of the DCI Regulation, cooperation under the EU-LA partnership will be based on:

- 1) a commitment to stimulate dialogue between countries and subregions on the social cohesion dimension of national plans in order to set common objectives;
- 2) a commitment to stimulate exchange of good practice and experience between countries and regions;
- 3) greater use of EUROsociAL, the Commission's programme to exchange good practice and experience (in the field of taxation, employment, health, justice and education);
- 4) joint monitoring by the Commission, UNDP, IDB, ECLAC, the World Bank, IMF and the EIB (under sectoral coordination).

It is important that the response strategy reflect the link between social cohesion and the environment, such as access to and sustainable use of natural resources, including water, forests and agriculture.

Although it is too early at this stage to programme the follow-up to EUROsociAL, further measures should be considered under the regional partnership to underpin civil society's participation, social dialogue and integration of marginalised sections of the population on the basis of a policy dialogue, based, for example, on the coordination approach of the Lisbon Strategy which incorporates a number of instruments (see Annex IV). In the light of the lessons drawn from EUROsociAL, such measures could also help underpin progress in democratic governance in Latin America.

Such a dialogue could serve to identify transferable good practices whose dissemination could then be supported. Joint projects could be mounted on the basis of the experience gained in programmes such as URB-AL, extending it to other levels and other actors, and in particular to cooperation between regions.

A first step has already been taken with the Andean Community to support dialogue on social policy under the Integrated Social Development Plan (PIDS) adopted in 2004. This is extremely promising.

Assistance might also be provided in defining frameworks and methods for integrated social cohesion and inequality reduction plans under national plans in these areas and, if appropriate, in coordination with national institutions. Experience has shown that it is essential to encourage ownership by the authorities and civil society, its prioritisation, incorporation of cross-cutting issues such as gender, the environment, links with the national budget and monitoring and supervision (with available indicators and data).

In May 2005, it was decided that a working party consisting of the IDB, the World Bank, the IMF and the Community would be set up in 2006 to carry out a joint analysis of the situation and priorities for Latin America in the field of social cohesion. The working party met twice in 2006 and aims to ensure greater involvement and better coordination of international financial organisations in this area.

- *Cooperation in combating international drug trafficking*

According to the priorities set out in the DCI Regulation, greater cooperation in combating drug trafficking will help overcome a problem that is a destabilising factor both inside and outside the region. The EU strategy for tackling the consumption, production and trafficking of illegal drugs covering the years 2005-2012 is part of a balanced, integrated approach focusing on reducing supply and demand. Assistance will be targeted on strengthening law-enforcement agencies throughout the region and fostering exchanges of good practice in the matter of reducing demand.

**(b) Regional integration**

Regional integration is the second priority in the EU's strategy for the region. The EU has provided support for the subregional integration process (Mercosur, Andean Community and Central America), but a certain number of measures to help the region as a whole could be taken in line with the priorities of Article 6(b) of the DCI Regulation:

- (1) promote the activities of business networks in the two regions in the area of trade and investment through measures such as exchanges between companies;
- (2) promote dialogue and institutional capacity building on policy, macroeconomic dialogue, standards, human rights, mobility, the connectivity of infrastructure networks and environmental protection to provide a secure and effective framework to foster sustainable investment flows to promote the region's sustainable development;
- (3) promote cooperation, regional dialogue and the exchange of experience and good practice on environmental aspects of sustainable development; particular attention should be given to: climate change (renewable energies and exchanges of innovative experience in the transport sector, adjustment to the adverse effects of climate change); water (European Water Initiative, cross-border management of water courses, sewage treatment); biodiversity (implementation of the Biodiversity Convention) and forests (tackling deforestation).
- (4) promote interconnectivity and regulatory dialogue at Latin American level, especially under the new EIB mandate;
- (5) promote studies and conferences to meet regional priorities (with ECLAC, ILO, EIB, etc.).

The sectors covered could include strategic policy and technological sectors, the Information Society, the environment, cultural, audiovisual, research, higher education and energy, which are all sectors with an international dimension.

**(c) Investing in people and increasing mutual understanding**

In line with Articles 2 and 5 of the DCI Regulation, cooperation will focus on:

- strengthening the region's competitiveness in order to address regional challenges; support for human resources development (1);
  - measures to promote and deepen mutual understanding between the two regions (2).
- (1) A large-scale programme will be mounted to improve higher education in the region based on experience gathered in programmes which are already running. It will focus on links with employment and the involvement of business in educational institutions. In line with the Vienna Declaration, there will be a major visibility component.

Special emphasis will be put on dissemination of good practice based on past experience, complementarity between projects and sustainability of networks.

- (2) In line with Article 5(vi) of the DCI Regulation, the Commission will support projects aimed at:
  - promoting and deepening understanding between the Latin American countries and the Community;
  - promoting and deepening Latin American decision-makers' understanding of EU policies conducted in Latin America for the purposes of contributing to the development of countries in the region.

Special emphasis will be put on dissemination of good practice based on past experience, complementarity between projects and sustainability of networks in order to achieve an impact on the region's development through education.

## B) Greater linkage between political priorities and cooperation

Particular attention will be paid to greater linkage between policy priorities and regional cooperation, as decided at the Summits. This linkage should be verified at all levels, from definition to implementation of cooperation projects based on transparency and continuous flows of information.

There must be consultation and dialogue on the introduction and implementation of these programmes with eligible countries to ensure closer coordination between implementation of policy priorities and the impact of European cooperation on regional development.

## C) Maximising the efficiency of programmes for the region and stakeholders

- ***Increasing the visibility and stakeholders' knowledge of regional programmes and exploiting their results*** A communication strategy for programmes and their results will be systematically introduced and will be targeted at civil society, networks and governments. Commission delegations on the ground and certain regional institutions will be involved in this. Since current programmes have not yet been completed, the Community will mount an operation to survey, evaluate and disseminate the results of these programmes at one or more biregional seminars in 2007 and 2008 as and when the programmes are completed.
- ***Complementarity and synergies:*** regional cooperation will focus on sectors where there is greatest regional value-added and ensure complementarity with bilateral and subregional cooperation projects and thematic programmes. The activities financed under programmes will be rationalised by focusing on results to maximise their impact.
- ***Tailor-made instruments:*** regional cooperation instruments will be used more effectively under the DCI Regulation by focusing on the results to be achieved and integrating sectors within priority areas, (private and institutional) stakeholders and instruments (networking, exchange of good practice, demonstration projects, policy dialogue, dissemination and exploitation of results, etc.).
- Both public and private ***stakeholders*** (also at regional level) will be involved in future programmes to promote cooperation in sectors such as education, investment, technology transfer and employment. A number of international institutions working in the region could be asked to participate in the regional programmes according to their areas of intervention and specific features.
- ***Tackling disparities:*** the organisation, management, decision-making structures and instruments used to implement these programmes will have to be tailored to actors' capabilities. The general approach will take account of regional disparities and countries' and actors' capabilities to utilise what is available and to promote access for all countries. This could include a systematic obligation for partners in the poorer countries of the region to be included in order to promote trans-border activities, capacity-building for recipients to give them access to programmes and south-south cooperation between recipient institutions (e.g. mentoring for other institutions). Complementary instruments could also be considered under bilateral cooperation to create synergies and facilitate access for the poorer sections of the population.
- ***Incorporating cross-cutting issues: gender, human rights, indigenous peoples, the environment and culture*** In keeping with Article 3(3) of the DCI Regulation, criteria and monitoring indicators will be systematically included in programmes to ensure that gender, the environment, human rights and, in particular, indigenous peoples are taken into account under the appropriate conditions. To guarantee environmental sustainability, environmental impact assessments will be carried out where necessary and their results taken into account.

- ***Centralised management*** On the basis of experience gained in implementing previous programmes and acting on the criteria for improvement identified in evaluations, there will be more centralised management of future programmes as this type of management can promote complementarity and appropriate synergies between initiatives.

## **2007-2010 REGIONAL INDICATIVE PROGRAMME**

The programme budget totals €56 million, 21% of the global allocation for Latin America for the period 2007-2013. This Regional Indicative Programme (RIP) covers the first part of the programming period. After a mid-term review in 2010 the second RIP for 2011-2013 will be drawn up. A regional environmental profile will be established before the evaluation, the results of which will facilitate the main thrust of the RIP II.

In drawing up new programmes account will be taken of the guidelines laid down in Part 4 of the regional strategic programming paper relating to the response strategy for coordination between policy priorities and cooperation and greater programme efficiency.

Particular attention will be paid to programme visibility by promoting Europe's image in terms of programmes' names and content. Ways of doing so will be worked out by DG RELEX and DG AIDCO.

In 2007-2008 one or more conferences will be held to take stock and discuss current programmes and projects to which all the stakeholders concerned in both regions will be invited.

- **Priority 1 – Support for social cohesion and reduction of poverty, inequalities and exclusion**

### *Objective*

The aim is to underpin Latin America's efforts to develop strategies, policies and instruments to strengthen social cohesion by, inter alia, reducing poverty, inequalities and social exclusion against a background of sustainable development and to implement international commitments, in particular the MDGs, in line with the principles of the DCI.

### *Specific objectives*

- Underpin formulation of social policies, including the tax aspects
- Support intra-regional cooperation to promote inter-governmental dialogue, support exchanges between regions and municipalities and other relevant partners to identify good practice and joint operations along the lines of the European model under the Lisbon Strategy
- Encourage participation by civil society
- Support the participation of indigenous peoples and people of African descent where they are marginalised
- Take account of the poorest regions, deprived areas, the most marginalised sections of the population (combating exclusion), gender, indigenous peoples and other communities and ethnic groups, including people of African origin, where they are marginalised
- Promote discussion and initiatives on integration of social cohesion in the international system (informal EC, World Bank, IDB and IMF working party)
- Strengthen synergies between social cohesion and environmental protection through greater integration of projects aimed at reducing poverty and managing sustainable natural resources

**Amount**

35% of the 2007-2013 RIP (€194 million).

- (1) Public policies at regional and local levels (regions and local authorities); independent institutions/organisations specialising in public policy; procedures, know-how and methods to promote civil society participation; fair access to social services; employment and social welfare systems; promotion of human rights, and in particular the rights of indigenous peoples, women and children; social dialogue, combating discrimination; fair tax and budget systems; sustainable development policies integrating social issues, the environment and culture;
- (2) Indigenous peoples, ethnic minorities and other communities, recognition of and regard for cultural diversity and the economic, political and environmental role of these communities where they are marginalised.

**Activities**

Support for the development of statistics, databases and policy instruments, demonstration projects, exchanges of experience and good practice by national, regional and local authorities; Continuation and adjustment of EUROsociAL and URB-AL by involving the regions and taking account of the results of evaluations;

Development of an information system and introduction of a regular reporting system on social cohesion by recognised institutions; use of statistics and, if need be, establishment of indicators on social cohesion (poverty, inequalities and exclusion), analysis of impact on social cohesion of reforms and initiatives, and regional integration; widespread dissemination.

A report will be prepared for each summit every two years and a seminar will be held to publicise results. It will take stock of progress on social cohesion on the basis of specific indicators and statistics and on good practice and the instruments identified in the course of projects.

Studies, reports, dissemination, seminars, meetings and training.

Visibility operations

Harmonisation of policies with the financial institutions and other international organisations with a view to mainstreaming social cohesion in their activities (programmes, loans, conditions, studies, poverty reduction strategies, etc.).

**Beneficiaries**

National, regional and local administrations and associations representing civil society.

Partnerships to be strengthened with the IDB, World Bank, ECLAC, UNDP and ILO etc. and with networks of regions and/or municipalities.

**DAC code: 15150 civil society; 16010 social policies; 16062 statistical capacity-building; 43030 urban development; 15140 government administration.**

**Indicators**

Publications and reports; measures carried out in favour of disadvantaged communities; number, variety and quality of demonstration projects, meetings and seminars; number of exchanges of experience carried out; percentage of operations carried out which were proposed by disadvantaged communities.

Reforms concerning national, regional and local social cohesion policies. Greater participation by civil society.

Visibility, degree of satisfaction of participants/users of social services.

**Subsector: Cooperation on combating drug trafficking**

***Objective***

In the framework of the DCI Regulation, and in particular Article 5(h), to promote cooperation against drugs, and in particular trafficking, and support for intelligence and information-sharing with judicial institutions in the region, and between the EU and Latin American and Caribbean authorities. Particular emphasis will be put on the Latin American aspects of recommendations by the working party on EU-LAC cooperation on intelligence sharing under the EU-LAC coordination and cooperation system, with the financial contribution of the EDF.

***Specific objectives***

- Training and institution building for Latin American agencies or institutions involved in combating drug trafficking (anti-drug teams, customs teams, etc);
- Support and/or development of skills and expansion of existing cooperation structures in the region (e.g. CLACIP) to improve cross-border cooperation infrastructure; Support for joint and national investigations to increase cooperation at selected international checkpoints (ports, airports and stations).
- Support for development of intelligence-sharing and data-protection infrastructure to facilitate harmonisation of data-protection systems and encourage adoption of common standards facilitating interregional cooperation;
- Assistance for development and implementation of legislation and other activities to prevent the diversion of chemical precursors based on the model of the European Joint Union on Precursors (EJUP) following on from the Andean Community's PRECAN project.

***Direct beneficiaries***

Law enforcement agencies in Latin America involved in combating cross-border drug trafficking (police, customs, judicial authorities, etc).

***Activities***

In the framework of EU-LAC cooperation and the drug coordination arrangements an informal working party will recommend a series of measures for cooperation on intelligence and information sharing.

The activities for each individual project will be decided in the light of these recommendations.

**DAC code: 16063 Narcotics control**

- **Priority 2 – Regional integration**

***Overall Objective***

In line with Article 6 of the DCI Regulation, to encourage closer regional integration and interconnectivity within the Latin America region in order to promote sustainable development.



***Specific objectives***

- Promote trade and investment
- Promote greater understanding and common approaches between the two regions through dialogue on policies and instruments in the sectors most concerned both at regulatory level and at the level of economic operators such as companies and SMEs
- Facilitate access for companies to information on a constantly changing regulatory framework, and in particular the laws and standards applicable to products
- Promote a secure environment for economic activities through the development of integrated networks, taking account of social and environmental issues
- Enhance the export capacity and FDI conditions of Latin American SMEs, especially those of the least advanced countries
- Support the development and coordination of networks of actors in areas of common interest within the region
- Support infrastructure development to facilitate sustainable regional integration
- Support exchanges of good practice with a view to adjusting to, and mitigating, climate change
- Promote interconnectivity and regulatory dialogue

***Amount***

25% of the 2007-2013 RIP (€139 million).

***Areas concerned***

- Trade and investment
- Macroeconomic dialogue and tax policies
- Training and employment
- Audiovisual and telecommunications
- Environment, energy and transport

***Possible activities***

- Studies, conferences and seminars to build SMEs' capacity to cope with internationalisation
- Exchanges between network operators, inter alia to strengthen and future-proof networks
- Partnership projects (e.g. meetings between businesses, match-making, technical assistance, etc.)
- Training, exchanges (sectoral dialogue and regulatory framework)
- Opportunities for professional contacts such as institutional exchanges to foster the exchange of information on, say, market conditions and business culture
- Demonstration projects
- Dissemination, etc.

***Beneficiaries***

Authorities, organisations representing economic sectors or business such as trade unions and trade organisations, chambers of commerce, associations and the like. Specialist regional or international organisations and ECLAC and other competent regional bodies.

***Performance indicators***

Networks set up and progress made in connecting up networks  
 Number of studies carried out and contribution to regional integration activities  
 Number of meetings and exchanges held  
 Sectoral dialogue measures  
 Visibility

**DAC code:** 25010 business support (AL-INVEST-type measures); 43010 multisector (others)

- **Priority 3 – Tackling regional challenges/mutual understanding**

In line with the priorities of the DCI Regulation, and in particular Article 5 vi), it is important to improve knowledge and mutual understanding between the EU and Latin America. According to opinion polls, people in Latin America are unfamiliar with the EU. The same goes for most EU countries with regard to Latin America. Thought should be given to measures to reduce this information deficit and so strengthen the strategic partnership between the two regions. The Commission will take the measures it judges necessary for this purpose in the form of schemes in the area of higher education and support for projects by organisations working to promote mutual understanding between the two regions with a view to contributing to the development of the Latin American countries.

### **1. Higher education**

In view of Article 6 of the Vienna Declaration, Article 6 of the DCI Regulation, experience from the ALFA, ALBAN and other education programmes to which Latin America has access and experience from the sectoral dialogue on higher education, a special programme of higher education scholarships in EU countries will be launched under the current stage of the Erasmus Mundus (external cooperation) programme and under the new stage to be presented by the Commission in 2007.

When preparing a future cooperation programme in this area, it is essential that visibility be given to the EU in the programme's name and content. The name will be agreed between DG RELEX, DG EAC and DG AIDCO during the identification phase.

***Objective***

The objective of funding joint projects is to promote closer links between academic institutions in the two regions to help develop a common higher education area reflecting, in line with the Vienna Declaration, closer cultural links between the two regions.

The lessons drawn from past experience must be taken into account in designing a new initiative. Account will be taken of activities in the common LAC-EU higher-education area. A particular effort will be made to promote awareness of, and access to, scholarships among students and teachers from the lower socio-economic strata of the population and from the poorest countries.

***Specific objectives***

1. Capacity building for higher education institutions, including administration and closer dialogue on higher education systems:
  - strengthen and align higher education systems, promote mutual recognition between institutions, especially as regards teaching, courses and diplomas, and promote teacher mobility;

- promote mobility in higher education;
  - support networking between higher education institutions, research and training centres, and businesses;
  - promote and disseminate good practice and synergies;
  - promote use of information technologies;
  - promote cooperation between universities, higher education institutions, research centres and business;
  - support appropriate measures to ensure country and gender balance and promote participation from the poorest countries.
2. Promote mobility among Latin American post-graduate students (with particular attention to the EU's image).

### ***Amount***

40% of the 2007-2013 RIP (€223 million).

### ***Direct beneficiaries***

Networks of officially recognised higher education institutions, under-graduate and post-graduate students, stakeholders in the sector, teachers and researchers in the establishments concerned. Business will be involved to make a link between the education and employment.

### ***Activities***

Joint projects by networks of institutions:

- 1) Institutional capacity-building e.g. introduction of joint curricula and improvement of university administration.
- 2) Support for introduction of training in areas of interest for the countries concerned (natural sciences, engineering, medicine, technology, social sciences, law (especially human rights), environment and multidisciplinary areas).

### **Types of joint project**

- Exchange of information and experience, good practice, dissemination, publications
- Studies, seminars and training
- Support for network connectivity
- Mobility of actors in the education sector and university students
- Methods and quality control

### **Performance indicators**

- Number of operations generated: 4000 scholarships for Latin Americans in the EU (objective set by COM(2005) 636 final "A stronger partnership between the European Union and Latin America")
- Experience gathered in reforms and measures undertaken under the programme
- Number of participants in programmes and scholarships
- Representation of countries and disadvantaged regions
- Sustainability of networks, use of institutional evaluation systems and their results
- Number of theses and joint publications
- Mobility of students and post-graduates
- Visibility

**DAC code: 11420 Higher Education**

**2. Support for projects by organisations working to promote mutual understanding between the EU and Latin America**

*Objective*

The measure is aimed at improving mutual understanding between the two regions and so contributing to the development of the Latin American countries. The Commission has made this a priority objective, as attested by the communication on a stronger partnership between the European Union and Latin America<sup>2</sup>.

*Specific objectives*

Support will be targeted on projects and measures targeting development issues by organisations specialising in the promotion and analysis of relations between the EU and Latin America. These projects and measures must serve to promote development policies pursued by the EU and Latin America under the strategic partnership (including policies on social cohesion, regional integration, multilateralism, drugs, energy and the environment).

*Direct beneficiaries*

Non-state organisations capable of carrying out information activities and exchanges of know-how on development issues relevant to the Latin American countries.

*Activities*

- Projects to publicise and promote policies conducted under the strategic partnership
- Studies and analysis of these policies/production of discussion papers
- Organisation of events/visibility operations to promote these policies (conferences, seminars, meetings, training, etc.)
- Production and dissemination of publications (especially via the Internet)
- Cooperation with the media

The organisations selected must be able to provide indicators for measuring the impact of the activities on the target public.

**DAC code: 15110 - Economic and development policy/ planning; 16050 - Multisector aid for basic social services; 43082 - Research/scientific institutions**

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<sup>2</sup> Commission communication to the Council and the European Parliament of 8 December 2005 ((COM(2005) 636 final).

**INDICATIVE MULTIANNUAL PROGRAMMING**

<b>MEASURE</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>TOTAL 2007-2010</b>	<b>TOTAL 2007-2013</b>
<b>Social and territorial cohesion</b>					131.0	194.0
URB-AL, EUROsociAL Combating drug trafficking	50.0		30.0 6.0	40.0		
Cross-cutting measure: environment				5.0		
<b>Regional integration</b>					72.0	139.0
AL-INVEST @LIS	50.0	22.0				
<b>Mutual understanding/Higher education</b>					128.4	223.0
ALFA ERASMUS MUNDUS (External cooperation component) Mutual understanding	45.0  1.8	41.6	40.0			
<b>TOTAL</b>	146.8	63.6	76.0	45.0	331.4	556.0