

THE ANDEAN COMMUNITY

**REGIONAL INDICATIVE PROGRAMME
2004-2006**

I. PREAMBLE

1. INTRODUCTION

The Regional Indicative Programme 2004-2006 replaces the Regional Indicative Programme that was part of the Regional Strategy Paper 2002-2006.

The major strategic objectives of co-operation with the Andean Community laid down in the Regional Strategy Paper 2002-2006 remain the guidelines for this new Regional Indicative Programme. These are support for regional integration, on the one hand, and support for the creation of an Andean Peace Zone, on the other.

Furthermore, this new Regional Indicative Programme also takes account of major developments that have occurred since the Regional Strategy Paper 2002-2006 was adopted, in particular:

- the needs of the Doha Development Agenda;
- the Heads of State and Government Declarations adopted at the 2002 EU-LAC Summit in Madrid and at the 2004 EU-LAC Summit in Guadalajara; and
- the May 2003 Cartagena Declaration of the Andean Community in the context of the VIth EU-CAN High Level Dialogue on Drugs as well as the outcome of the April 2004 High Level Specialised Dialogue on Drugs held in Brussels.

The objectives of the Regional Strategy Paper are very ambitious. The funds of the Regional Indicative Programme itself are limited but they should be placed in the wider context of EU assistance to the region. Apart from the ongoing projects under the old Regional Indicative Programme, EU-CAN regional co-operation seeks to complement and reinforce the programmes and activities undertaken with the individual Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) by both the EU and the Member States. It further supplements the non-negligible support the respective countries receive from the EU budget under horizontal budget lines such as on democracy and human rights, humanitarian aid, NGOs, etc.

EU-CAN regional cooperation aims at providing added value through three axis of cooperation:

- Supporting the process of regional integration
- Acting as a catalyst to reinforce the effect of bilateral cooperation
- Tackling issues that have a trans-national dimension, and encouraging the dissemination of best practice among Andean countries

It should further be noted that the EU is the only donor supporting the Andean Community regional integration in this format, the other donors concentrating on bilateral aid.

2. AIMS OF THE REGIONAL STRATEGY PAPER 2002-2006 AND STATE OF IMPLEMENTATION OF THE CORRESPONDING REGIONAL INDICATIVE PROGRAMME

The Regional Strategy Paper 2002-2006 aims to support two clearly defined policy objectives:

- (1) Supporting Andean integration

(2) Promoting the aim of an Andean peace zone.

With a global indicative allocation of € 29 million, the original Regional Indicative Programme, part of the Regional Strategy Paper 2002-2006, identified five priority areas in line with the objectives of the Regional Strategy Paper:

- A regional statistical initiative
- A project on air safety
- Trade-related technical assistance
- Interaction with Andean civil society
- The prevention of natural disasters

Since May 2002, following the adoption of the Regional Strategy Paper and the Regional Indicative Programme, the Commission has approved 3 regional projects covering 3 of the 5 priority areas. These projects relate to

- Statistics (2002, €5million).
- Disaster prevention (2002, €0.45 million).
- Trade-related technical assistance (2003, €4 million)

It should be noted that the original RIP provided for a more limited amount for the TRTA programme (€1m) and that the decision to commit the remaining €3m is conditional upon the adoption of the revised Regional Indicative Programme 2004-2006.

3. MID-TERM REVIEW

The Regional Strategy Paper (RSP) is intended as an instrument for guiding, managing and reviewing EU assistance programmes. It is an essential management tool to ensure that external assistance reflects EU's policy objectives and priorities. The 'first generation' Regional Strategy Paper for the Andean Community was adopted in May 2002.

With a view to the continuous improvement of the quality of the Regional Strategy Papers, the Council adopted conclusions on a "Progress Report on the Implementation of the Common Framework for Country Strategy Papers (CSP)" in March 2003. In these conclusions, the Council invites the Commission to undertake a Mid-Term Review (MTR) of each paper in accordance with existing rules and lays down key pointers for the CSP/RSP reviews. Four parameters were identified as basic reference points for the review process: (i) new developments in the country/region, (ii) new EC/EU policy objectives and commitments, (iii) results and performance, and (iv) lessons learnt and potential improvement.

As far as the Regional Strategy Paper for the Andean Community is concerned, the general conclusion is that there is no need for a full revision, given that there are no new major developments in the region and that the EU's policy objectives vis-à-vis the region have remained the same.

The screening exercise can be summarised as follows:

3.1 Recent Developments

Political instability and economic crisis continue to affect all 5 Andean countries to various degrees. This explains why regional integration is not always of highest importance on the

Andean countries' respective agendas. Since the adoption of the RSP in May 2002, the regional integration process has continued to experience ups and downs.

The CAN adopted the "*Lima Commitment*", or the "*Andean Charter for Peace and Security and the Limitation and Control of the Expenditure on Foreign Defence*". The objectives of this text are to define an Andean Common Security Policy, to outline the Andean Peace Zone, to limit military expenditure and to re-assign it to investment and development issues. The CAN also adopted the "*Andean Charter for the Promotion and Protection of Human Rights*". Translation of both documents into concrete actions is however slow and Andean countries have still not ratified an earlier "*Andean Protocol for Democracy*" (signed in 2000).

A "*Working Group on the rights of indigenous peoples*", as a new consultative entity within the Andean Integration System, was also established, a "*Regional Strategy on Bio-diversity for the Tropical Andean Countries*" was approved, and an "*Andean Committee for Disaster Prevention and Care (CAPRADE)*" was set up.

As regards economic integration, in October 2002, a new Common External Tariff (CET) covering 62% of all products at the basic levels of 5, 10 and 20% was decided upon by all CAN members (Decision 535). In April 2003, an agreement on some remaining tariff lines, extending the coverage from 62% to 95% was agreed upon by all countries but Peru; the four-tier structure would remain in force but the percentages were modified to 0, 5, 10 and 20%. Sensitive products such as agri-products, textiles and several chemicals remained however excluded. While both the October 2002 and the April 2003 agreements were scheduled to enter into force on 1 January 2004, opposition from the majority of the CAN members as of the summer of 2003 resulted in the postponement of the entry into force of both agreements first until 1 March 2004, and now until 10 May 2005.

In 2003, the Andean Council of Foreign Ministers decided to "redirect" the Andean integration process "within the framework of a multidimensional agenda". Six priorities were put forward, the first three of which are "the creation of the Andean Common Market", "the necessity of implementing previous commitments to a Common Foreign Policy", and "the implementation of the Andean Social Agenda".

Regarding EU-CAN relations, EU-LAC Summits of Heads of State and Government took place in 2002 (in Madrid) and in 2004 (in Guadalajara). The political declaration agreed in Guadalajara confirmed the positive signal given in Madrid 2 years before in relation to the negotiation of an Association Agreement, including a Free Trade Area, between the EU and the CAN. In Madrid, as an intermediate step, the Heads of State and Government decided that a Political Dialogue and Cooperation Agreement should be negotiated and concluded between the two regions. This Political Dialogue and Co-operation Agreement was negotiated between May and October and signed in Rome in December 2003. Once it has entered into force, it will institutionalise and expand the scope of the political dialogue by focusing more clearly on the concerns of both regions (such as security, regional development and stability, conflict prevention, human rights, democracy, good governance, terrorism, migration and drugs) and by intensifying exchanges at working level. It will also strengthen and include new areas for cooperation. In Guadalajara, Heads of State and Government decided to go one step further, in declaring an EU-CAN Association Agreement as the common strategic objective of both regions and by agreeing to start a process which will in due course lead to the opening of negotiations on such Association Agreement, including a Free Trade Area. It was also stated that any future Free

Trade Agreement should be built upon the outcome of the Doha Development Agenda and the realization of a sufficient level of regional economic integration.

The above developments confirm that the broad strategic guidelines of the Regional Strategy Paper (RSP) 2002-2006 remain valid. The fundamental challenges facing the region have not altered, but have rather been reinforced and highlighted by the events that have directly or indirectly affected the region.

The need to review the Regional Indicative Programme stems from the need to increase the funding available for the support of regional economic integration; this can be done by re-allocating the funding earmarked for one of the initiatives, air safety, a project which has been cancelled.

3.2 Assessment of results

Projects carried out before the actual implementation of the Regional Strategy Paper 2002-2006 have proved that EU-CAN regional cooperation is an important instrument for promoting regional integration in the area. Complementary to bilateral projects, they were designed to support the supranational institutional framework and to address transnational political, economic and social issues that constitute common challenges in the Andean region. One of the greatest achievements of regional cooperation is the establishment and operation of working relations among all partners in certain specific subjects and areas, in spite of the difficulties in the region. Recent EC Cooperation has been instrumental, for example, in setting up a harmonised Andean customs tariff or in advancing the creation of a regional quality infrastructure system.

Regional cooperation, however, is complex and not always easy. Given its wide geographical coverage, the adoption of appropriate working methods, the measurement of results, and the efficiency and visibility of the activities, constitute major challenges for all partners and stakeholders involved.

As regards the implementation of the Regional Strategy Paper 2002-2006, it is too early to judge the results of the three projects which have by now been approved by the Commission. It is important to note however that problems were encountered to free the necessary human and financial resources to ensure counterpart commitments on the part of the Secretariat General of the CAN and that this has led to delays in the signature of two out of the three Financing Agreements.

4. PRIORITIES FOR THE REGIONAL INDICATIVE PROGRAMME 2004-2006

The Regional Indicative Programme 2004-2006 contains three initiatives. The initiatives relating to interaction with civil society and to trade-related technical assistance had already been previously programmed and have only been slightly modified. The air safety initiative has, however, been cancelled and a new initiative on drugs has been added.

As regards air safety, developments since the adoption of the original Regional Indicative Programme have resulted in its deletion. An initiative in the area of air safety had already been requested by the Andean countries in the mid-nineties. Like similar initiatives carried out in other parts of the world, the aim was to implement the project in cooperation with European industry. However, over time the priority attached by all stakeholders to such an

initiative has diminished and it has also become clear that a project restricted only to the Andean region would be of limited interest. Possibilities for a project with a wider scope to include either Mercosur or Central America, where a pilot project had been launched, were examined but considered not to be feasible.

The statistics initiative and the disaster prevention initiative no longer feature in the new regional indicative programme because the corresponding projects have been approved and are under way.

The interaction with civil society initiative has remained largely as it was formulated in the original Regional Indicative Programme. The only addition in the description is the reference to the establishment of an 'Andino barometer', to measure public opinion which is considered as an action to be encouraged under the project.

As regards the trade-related technical assistance, the scope of this initiative has been broadened and a correspondingly large increase in funding is provided for. As stated in the 2004 Guadalajara EU-LAC Summit Declaration, any future Free Trade Agreement shall be built upon the outcome of the Doha Development Agenda and the realization of a sufficient level of regional economic integration. This enhanced priority, combined with the understanding that developed during the identification of this project that the funding earmarked was insufficient, has led to the original initiative being strengthened.

Finally, a new initiative on drugs has been added. The fight against illegal drugs, as one of the joint priorities of both the EU and the Andean Community, figures as one of the specific aims of cooperation in the Regional Strategy Paper. The intention is to launch a project on synthetic drugs because the Andean region is at considerable risk of attracting or becoming a producer of these new forms of drugs in the future. The approach should be comprehensive and cover both supply reduction (or prevention of increased supply) and demand reduction/treatment by providing the public authorities of the Andean Community with know-how in this specific area, which is currently still lacking while available in the EU.

II. REGIONAL INDICATIVE PROGRAMME 2004-2006

1. INTERACTION WITH ANDEAN CIVIL SOCIETY

1.1 Context and justification

The CAN has an insufficiently high profile.¹ The general public is largely unaware.² Integration would be enhanced if CAN had a more democratic basis and enjoyed more popular support, all the more so, if it became a necessity for economic operators. Integration and democratisation will bolster the construction of an Andean zone of peace. This initiative therefore ties in with both strands of the proposed strategy. Working with civil society is one of the priorities referred to in the declarations of the Andean Presidential Council. Structures representing labour, business and indigenous peoples already exist or will soon be created. This project complements efforts made to promote CAN by means of bilateral EU Member State projects.

¹ Conclusions of a seminar on the image of CAN, held in Paris on 11 and 12 October 2001.

² The population undoubtedly has a sense of Andean identity, but while some people are familiar with the original name 'Andean Pact', few have registered the political changes reflected in its conversion into CAN.

1.2 Objective

This project relates to both strands of the cooperation strategy. Involving civil society in the integration process should have a beneficial impact on the construction of an Andean zone of peace. The specific aims of the project are to enable representatives of civil society to discuss ways of promoting the construction of an Andean zone of peace and the cohesion of the sub-region, to increase knowledge of the CAN among the general public and to improve the institutional mechanisms of the CAN to enable them to pursue more effectively the policy of promoting the CAN and to provide assistance on public opinion research such as the establishment of an 'Andino Barometro' and coordination of public opinion institutions in the Andean countries.

1.3 Expected Results

It is expected that the target populations³ will become more familiar with the CAN, understand the benefits of integration, work for its achievement and be more deeply involved in the development of the Andean integration process. For its part, CAN should use the outcome of the aforementioned discussions as a basis for the implementation of measures designed to promote social and political harmony in the sub-region.

1.4 Performance Indicators

- There will be an increase in the teaching of Andean integration studies in terms of the number of chairs and students, and the subject will be part of the curriculum of primary and secondary schools.
- An appropriate number of students will take part in exchange programmes.
- Sub-regional networks of representatives of Andean civil society will be strengthened or created.
- The media will devote more attention to the process (the number of relevant articles appearing in each year of the project will be measured against the number of articles in the three years preceding the project).
- There will be an increase in the number of visitors to the Andean Community website, on which the project activities will be described.
- The CAN website will conduct a poll on Andean integration; its success will be judged by the number of responses.
- The same poll will be conducted externally on a representative sample of the Andean population before and after the project.

1.5 Brief Description of the programme

³ Academics and representatives of minorities and other social groups (indigenous peoples, women, etc.), of economic decision-making bodies and the media, of national institutions and NGOs working on the problems that are common to all five countries.

The project will be implemented by means of two types of seminars: national and regional information seminars and discussion seminars on the Andean identity and ways in which it can be developed. The information seminars should encourage the creation of networks of individuals who would then attend the discussion seminars. Promotion activities, using primarily local expertise, can also be envisaged. The provision of European technical assistance will involve transferring the experience amassed by the EU in its work with civil society. European know-how relating to the participation of civil society in political processes will be transferred, particularly to minorities such as indigenous peoples and to other social groups such as women and trade unionists, who have traditionally been neither consulted about political initiatives nor involved in their implementation or whose vital interests are threatened by such initiatives. The representatives of civil society will be involved in the project from the definition stage. Part of the financial appropriation will be available for the establishment of an exchange programme for Andean students along the lines of the Erasmus programme, and joint activities, such as encounters or conferences of representatives of civil society from CAN and the EU, can be envisaged for any time after the first year of the project.

1.6 Budget

€4m will be allocated to this project from the financial and technical cooperation budget line.

2. TRADE-RELATED TECHNICAL ASSISTANCE

2.1 Context and justification

A study on the state and future prospects of economic and trade relations between the EU and the CAN was carried out in 2002, and its conclusions highlight areas in which EC support would enable the CAN to achieve deeper regional integration and in particular to construct its common market. Such deeper regional integration was also highlighted in the 2004 Guadalajara EU-LAC Summit Declaration, notably through the statement that “any future Free Trade Agreement shall be built upon the outcome of the Doha Development Agenda and the realization of a sufficient level of regional economic integration”. In addition, with regard to the application of the WTO Agreements and the Doha Declaration and negotiating agenda, EU support in the areas where shortcomings are identified would help to make maximum progress towards the integration of the Andean countries into the multilateral trade system.

2.2 Objective

The aim of this assistance is to enable the CAN to deepen its level of regional integration and to make use of its potential in order to present itself on the international stage as a partner able to derive maximum benefit from the WTO Agreements and to engage in fruitful trade negotiations.

2.3 Expected Results

CAN is expected to focus on the identified weaknesses in its integration and to rectify them with the aid of the expert assistance given to it; CAN should have enough institutional and regulatory capacity to apply the WTO Agreements effectively, and its negotiators should be properly trained.

2.4 Performance Indicators

- Regional laws and regulations will be adopted and effectively applied in previously neglected areas of the common-market construction process.
- The obstacles to the implementation of the WTO Agreements will be minimised.
- The number of Andean trade negotiators will be increased, and their quality will be enhanced.

2.5 Brief Description of the programme

Activities will consist primarily in the provision of European technical assistance as a basis for *ad hoc* appraisals, training and institution building in areas where there are weaknesses in the regional integration process, such as rules governing trade in goods (including tariff and non-tariff barriers, sanitary and phyto-sanitary standards) and services, foreign direct investment, public procurement, intellectual property and competition. This technical assistance will focus on areas of interest to both parties and should build on previous and ongoing EC programmes in these fields. The duration of these activities may be short and can range from six months to a maximum of two years. The project base may be in Latin America or, if the technical assistance is provided on an *ad hoc* basis, in Europe.

2.6 Assumptions

The beneficiary States will meet the cost of remunerating their representatives; the EC may help to pay their travel costs if necessary. The beneficiary States will take part in the training activities and will assist the EU experts in obtaining suitable training venues. The Andean Community will continue to work towards the deepening of its economic integration process, with the objective of creating a customs union and an internal market .

2.7 Budget

€7m will be allocated to this project from the economic cooperation budget line.

3. FIGHT AGAINST DRUGS

3.1 Context and justification

The fight against drugs remains a joint priority for the EU and the Andean Community. In general terms, the EU is supporting the Andean Community's institutions to take a leading role in coordinating, at a regional level, the different policies to address the drugs problem in the region. The CAN has suggested a series of projects to fight against illicit drugs, one of them being the fight against synthetic drugs, or more precisely amphetamine-type stimulants (ATS). At the global level, statistics show an important diversification in the consumption patterns of illicit drugs with a growing trend in the production, traffic and consumption of ATS. While ATS are produced and, for the time being, consumed to a large extent in industrialised countries, the Andean Community, already heavily affected by a variety of problems related to drugs of natural origin, is highly vulnerable to this new ATS problem. In the Andean Community and its member countries, public authorities do not yet have

sufficient knowledge and experience in this area. CAN countries have expressed their desire to address the issue of synthetic drugs in its Decision of June 2001 on an 'Andean Cooperation Plan for the Control of Illegal Drugs and Related Offences' (Decision 505, Art. III, 11) and on the occasion of the EU-CAN VIth and VIIth High Level Dialogue on Drugs held in Cartagena on 28 May 2003 and Brussels on 20 April 2004 respectively. The EU further places this project in the context of the implementation of the 1999 Panama Action Plan on Drugs. The question of chemical precursors, some of which are used for manufacturing ATS, is currently the subject of a regional project (financed by the horizontal budget line on drugs); coordination between the two projects will take place as necessary.

3.2 Objective

The project mainly aims to address the problem of synthetic drugs in the Andean Community early in its development.

3.3 Expected results

- The relevant authorities will have information, know-how and initial tools on different aspects of the synthetic drugs problem.

3.4 Performance indicators

- The relevant authorities will be aware of the relevant aspects of the synthetic drugs problem and how to deal with it.
- Relevant information on synthetic drugs will be readily available.

3.5 Brief description of the programme

The project will likely have training, studies and technical assistance as major components. These activities will be provided by means of European assistance, including, where appropriate, the secondment of experts from the civil authorities of the EU Member States. The specific focal areas of intervention will be determined in the identification/formulation stages. Among the possible areas of assistance are data collection and management, customs control, forensic analysis, dismantling of illicit laboratories, demand reduction, etc.

3.6 Assumptions

Andean and CAN member countries' authorities will co-operate fully, allowing for full access to relevant data.

3.7 Budget

€2.55m will be allocated to this project from the financial and technical cooperation budget line.

4. CROSS-CUTTING ISSUES

As the EU's development policy has unfolded, a series of cross-cutting issues have been identified that should be incorporated in all EC assistance activities. These issues are the

promotion of human rights, chiefly supported by NGOs through the European Initiative for Democracy and Human Rights, i.e. budget article 19 04 03; women's rights, the rights of the child and the environmental dimension (the latter three are chiefly supported with the aid of the aforementioned co-financing instrument for NGOs). As part of this regional indicative programme, these cross-cutting issues will be taken into account in the design and implementation of the programmes that will translate this strategy into concrete action. This will particularly be the case for the initiatives on interaction with civil society and on drugs, where special attention will be paid to promoting the involvement of all groups of society in the construction of an Andean zone of peace. The cross-cutting issues are also integrated into the programmes implemented in partnership with the Governments for the CAN member countries and covered by the respective country strategy papers.

Regional support package - financial breakdown by initiative (€million) / calendar

Ongoing projects	Indicative Amount	Calendar
Statistics	€5m	Under way
Disaster prevention	€0.45m	Under way
Trade-related technical assistance	€1m)	Under way
Envisaged projects, RIP 2004-2006		
Interaction with civil society	€4m	2004
Trade-related technical assistance (TRTA)	€7m	€3m – 2004 €4m - 2005
Fight against drugs	€2.55m	2005
TOTAL	€29 m	