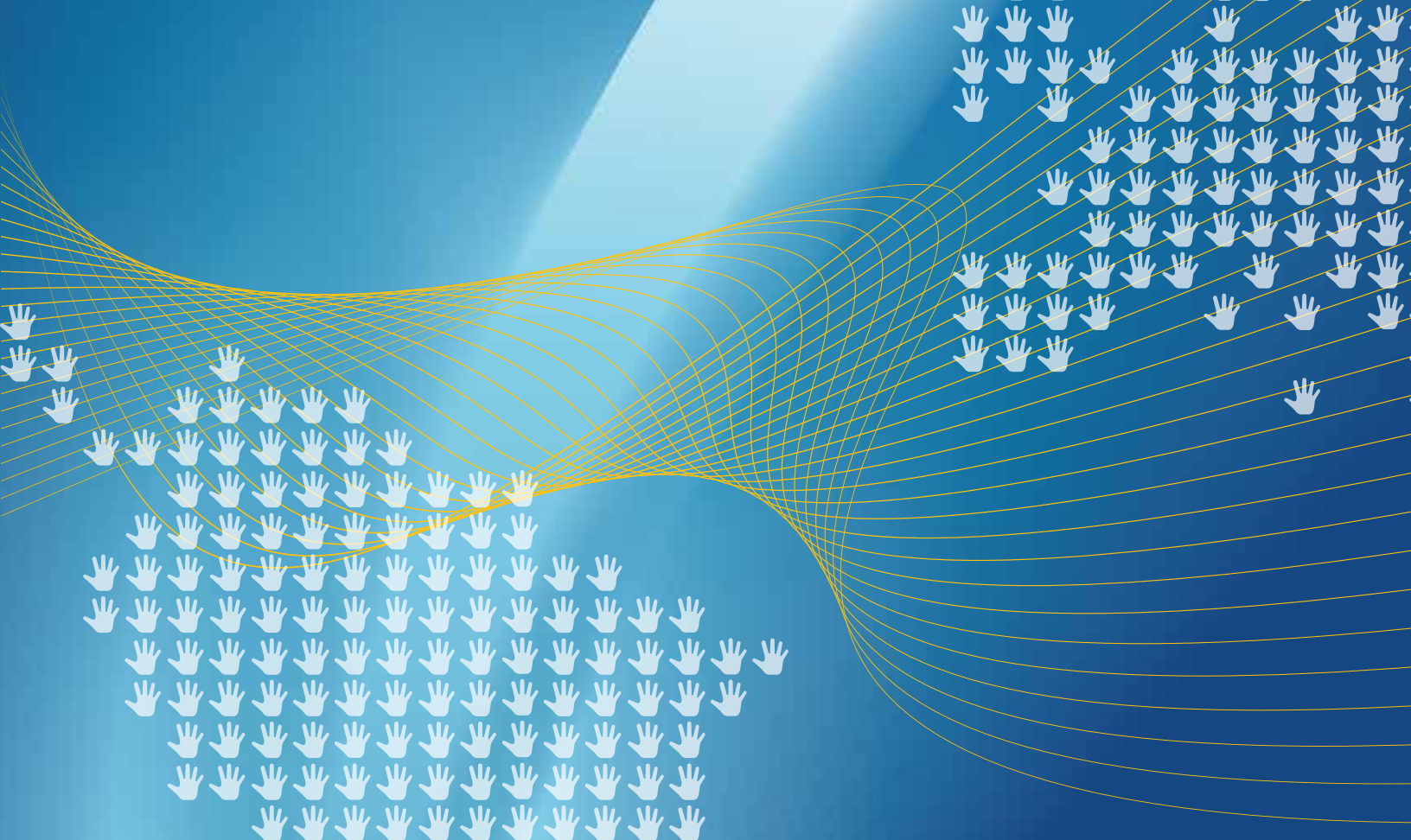




Latin America-European Union cooperation

**A partnership for
development**

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Ricardo Herrera
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This document was prepared by José Durán Lima, Chief of the Regional Integration Unit and Ricardo Herrera, Myriam Echeverría and Pierre Lebre, all research assistants in the International Trade and Integration Division of the Economic Commission for Latin America and Caribbean (ECLAC), within the framework of the technical cooperation programme of ECLAC-AECID 2011-2013, under component 4 of "Integration, Trade and Investment". This document was drafted as a base document to inform the policy discussion and technical works in the project financed by the Spanish Agency for International Development Cooperation (AECID).

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Summary

The Economic Commission for Latin America and the Caribbean has examined the flows of cooperation linked to association and trade agreements (regional integration, trade facilitation, infrastructure development and institution building) and their complementary components (poverty reduction efforts, governance and strengthening of civil society, among others) under the ongoing European Commission multiannual cooperation programming exercise 2007-2013 in Latin America, which has three programming components: regional (programmes that are regional in scope), subregional (three programmes) and bilateral (18 programmes).

The European Union (EU) is the largest multilateral provider of Official Development Assistance (ODA) in Latin America; it is the largest provider overall if funding from member States and the European Commission are taken together. Financial and technical cooperation from the European Union are a key pillar of its bilateral relations with the countries of Latin America.

Cooperation is the third pillar of the association agreements signed over the past decade between the European Union and many of the countries of the region. This financial effort on the part of the European Union has played a lower-profile role than the policy and trade pillars have, although it has made a crucial contribution to operationalizing agreements when establishing partnerships that extend beyond trade and policy interests. For example, cooperation makes it possible to achieve higher business standards and introduce new production and development technologies. And cooperation is an essential contribution to the fight against poverty and inequality and to the building of democratic, developed societies that respect human rights and promote the training of human resources and environmental protection.

All of these objectives have been the priorities set for the assistance funds that the European Commission has allocated through the Financing Instrument for Development Cooperation (DCI) for cooperation with Latin America under its most recent multiannual programming 2007-2013, which is still ongoing, as spelled out in the association agreements. In this context, and in order to shed new light on the development cooperation that the European Commission carries out in the countries of Latin America, the Economic Commission for Latin America and the Caribbean (ECLAC), together with the Spanish Agency for International Development Cooperation (AECID) sets out herein an overview of cooperation executed through May 2013 by the European Commission in keeping with the current multiannual programming 2007-2013 in Latin America funded under the Financing Instrument for Development Cooperation. The general questions it seeks to answer include the

following: What development cooperation has the European Commission committed and executed in the region in recent years? In which countries and in which sectors? What are the prospects for the next period of European cooperation (2014-2020)?

To help answer these questions, detailed information on the different programming exercises (regional, subregional and bilateral) is used to describe the kinds of European Commission assistance provided in Latin America during the ongoing exercise 2007-2013, as well as its structure, programming and implementation, beneficiary countries and priority sectors. This classification draws on the regional programming rationale for the geographic programme under the DCI for the region and on European Commission for Latin America strategy papers, which were carefully examined.

The first chapter of this report, by way of introduction and to provide a context, sets out background information on patterns of global ODA (from the European Commission in particular, as well as from the major member States of the European Union) in Latin America. It provides a snapshot of the European cooperation system model, particularly in the region, as well as its legal framework and mode of operation. The chapter concludes that, recent ODA trends in Latin America aside, there are now two major donors in the region: the European Union and the United States. Together they account for more than 72% of total inward ODA. ODA flows from the European Commission have tended to be less volatile over time and have grown at a faster annual rate, making it more predictable than aid from other donors.

The second chapter identifies European Union cooperation priorities and areas for the region, where the overarching –albeit not exclusive– goal is to promote regional economic integration and cooperation as well as social cohesion in each country. The European Union has taken special interest in aligning national priorities in Latin America with achievement of the Millennium Development Goals by providing development assistance in the areas of health, education and investment in human capital. European cooperation priorities are also characterized by an emphasis on regional integration, both political and economic, and on how best to ensure political stability and economic growth, build broader and more harmonized markets, facilitate the free movement of persons, goods, services and capital, enable economies of scale and encourage investment while ensuring greater cooperation among neighbouring countries in the face of transnational challenges in such areas as food security, natural resources, biodiversity protection, climate change and the fight against drug trafficking.

A comparison of the amounts committed in the multiannual period 2007-2013 with those executed in the previous period (2002-2006) reveals an increase in all programming. The total amount that the European Union committed in the most recent programming exercise amounted to 2.622 billion euros, that is, 900 million euros more than the 1.685 billion euros that the European Union executed in 2002-2006.

At the sector level, the highest concentration of committed resources was in the areas of social cohesion, economic development and trade, environmental protection and the promotion of human resources. By country, the largest concentration of ODA was planned in the Central American countries, followed by the Andean countries. At the subregional level, commitments focused primarily on strengthening the Customs Union for Central America, boosting regional economic integration in the Andean Community, and institution building in the case of MERCOSUR.

The third chapter examines the execution of regional, subregional and bilateral programming funds during 2007-2013, compared with the commitments analyzed in the previous chapter. This reveals the synergy between setting priorities and executing assistance in the region at the various levels (regional, subregional and bilateral and sectoral).

Of the total assistance committed (2.622 billion euros), it is estimated that 2.920 million euros had been executed through May 2013; that is 11% more than the funds committed, showing that European ODA is consistent with the priorities and sectors defined when it was being planned.

Most of the beneficiary countries have executed more ODA funding than initially committed for 2007-2013¹. Executed bilateral funding is concentrated in five sectors, with economic development and trade and social cohesion the most frequent in all of the countries. For the less developed countries in the region (like Honduras, Nicaragua, Paraguay and the Plurinational State of Bolivia), assistance is aimed more at programmes for poverty reduction, food security, rural development and infrastructure. For more developed countries, the most recurrent cooperation themes are social cohesion, regional integration and economic development, followed by innovation, environment, governance, democracy and human rights.

A look at regional programming, which totals 559 million euros, shows the considerable assistance going to non-State actors (such as municipalities, academic institutions and non-governmental organizations). Subregional programming (Central America, the Andean Community and MERCOSUR), totalling 195 million euros for the multiannual period 2007-2013, is the kind of multilateral cooperation that provides the most support for regional integration processes in Latin America.

A breakdown of the main target sectors, including the three programming exercises, shows that funds for social development and social cohesion total 1.221 billion euros, economic development and trade 365.7 million euros, environment, climate change, water and natural disasters 288 million euros, human resources and mutual understanding 52 million euros and democracy, human rights and governance 217.5 million euros account for the bulk of European Community contributions (see table 3A in the annex).

One of the major mechanisms for direct delivery of European funds to recipient countries is sector budget support, where the governments of recipient countries play a central role in the implementation of assistance. Bilateral funding executed in the form of sector budget support to date totals 842 million euros –39% of total bilateral funding executed. A total of 21 million euros in sector-based support could not be identified with a specific sector due to lack of information.

The main conclusion of this chapter refers to improving execution of commitments under each programming exercise. The analysis showed that the Official Development Assistance provided by the European Commission at the regional, subregional and bilateral levels is (in addition to being stable and growing over time) consistent in terms of committed and implemented sectoral priorities and efficient in terms of administrative execution of commitments, because executed funding exceeds commitments and makes assistance from the European Community more predictable than that from other donors.

The fourth chapter describes European Union cooperation policy for 2014-2020, which will mark a major shift in relation to ODA recipient countries, particularly with regard to Latin America. Graduating countries from ODA provided by the European Commission and implementing a new financial instrument (the Association Instrument) for those ODA graduate countries usher in a new phase of European Union cooperation in the region. In the case of Latin America, this means that 7 of the 18 countries of the region currently receiving ODA would be graduated, that is, they would not be eligible for ODA funds from the European Commission, at least not under the DCI². Beginning in 2014, the European Union will continue to cooperate with these countries through the association instrument (the old financing instrument) for cooperation with industrialized countries. The remaining seven Latin American countries will still be eligible to receive ODA funds, that is, development cooperation funds under the DCI.

In this context, and considering that all of the countries in the region are still on the path to development, this report ends with a complementary look at factors in the structural development gaps that all of the countries in the region are facing. The univocal approach where economic growth as measured by income per inhabitant defines a country's level of development will thus be

¹ Much of the difference between committed funds and executed funds may be due to funding in addition to bilateral commitments under DCI thematic programmes.

² Graduated countries may continue to participate in subregional and regional programming, but not in bilateral programming under the DCI.

complemented with one that encompasses the various sources of a country's structural vulnerability (investment and saving, productivity and innovation, infrastructure, education, health, taxation, gender and environment). To illustrate this structural gap approach, bilateral funds executed to date under the current European Union cooperation programming have been superimposed over the available data on the gaps proposed by ECLAC. This exercise clearly shows how the funds executed by the European Commission under the current programming, which is still ongoing, tend to focus on countries with the largest gaps, thus showing consistency between the allocation of funds and the sectors with the greatest structural vulnerabilities in the different countries. For example, Honduras, Guatemala, Nicaragua, Paraguay and the Plurinational State of Bolivia are among the main recipients of assistance with the most structural gaps.

The European Union has taken special interest in promoting development cooperation as an instrument along with framework and association agreements. Today, the countries making up the strategic partnership between the European Union and the current Community of Latin American and Caribbean States (CELAC) are in a far different position from the one envisaged in the early 1990s.

Nearly 15 years on from the launch of the strategic partnership between the European Union and the current Community of Latin American and Caribbean States (CELAC, formerly the Rio Group), it is important to look at the future prospects for cooperation. During this change, the strategic partnership between the European Union and CELAC will continue, so European Union cooperation must also change to meet this challenge

I. Official development assistance from the European Union in the global context

This chapter provides a breakdown of Official Development Assistance (ODA) to the world from major donors between 1990 and 2011 and tracks its shift towards major recipients worldwide for the same period. For analytical reasons ODA is disaggregated into three subperiods of three years each (1990-1991, 2000-2002 and 2009-2011), showing long-term trends for the 1990s and 2000s. This helps to identify ODA patterns for the periods reviewed and to distinguish between ODA from European Union member countries and ODA sourced from European institutions.

To better understand the workings of European Union cooperation policy, this chapter reviews the general legal framework and implementation tools, especially the geographic and thematic programmes under the Financing Instrument for Development Cooperation (DCI). This chapter also outlines the organization and functioning of European Union cooperation, based on the three types of programming used by the European Commission in the region: bilateral, subregional and regional.

A. The European Union in the global context of official development assistance

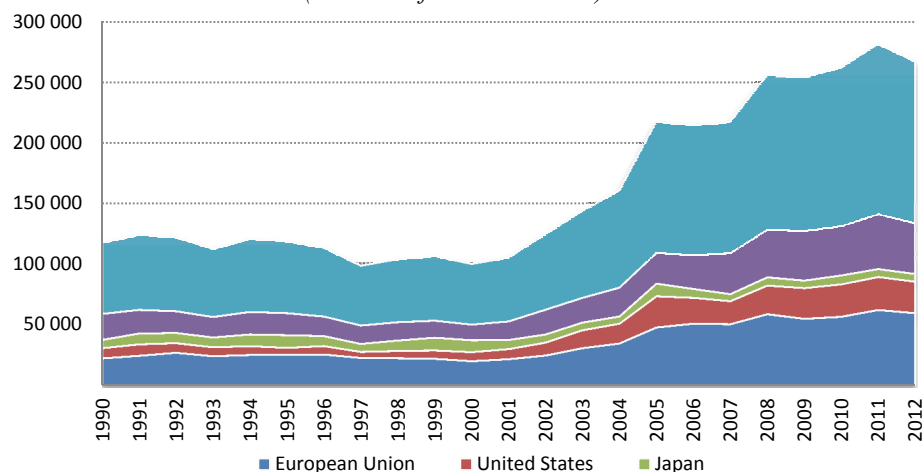
The first decade of the twenty-first century was marked by a surge in Official Development Assistance. Worldwide, it went from nearly US\$ 50 billion in 2000 to US\$ 140 billion in 2011. This increase in global development aid was related to donor State commitments to boost their level of assistance in order to fulfill Millennium Development Goal commitments and to the buoyant world economy between 2003 and 2008 that made an expansion of financial aid possible. European Commission development assistance around the world also trended up. In 2000, the European Commission contributed a total of US\$ 4.4 billion; the figure rose to US\$ 17 billion by 2011, making the European Commission the largest multilateral donor.

Official Development Aid from European Union member States and institutions³ expanded by more than 12% during the 2000s after stagnating and then ticking down in the 1990s. Unlike aid from

³ These will be used interchangeably to identify ODA funds from European institutions and the European Commission.

the United States and Japan (two of the major donors for the developing world), ODA flows from the European Union overall have been more regular over time (see figure 1). In 2012, fiscal consolidation in the eurozone led a group of countries to implement budget adjustment programmes that resulted in a decline in global ODA.

FIGURE 1
OFFICIAL DEVELOPMENT ASSISTANCE TOWARDS ALL RECIPIENT COUNTRIES,
1990-2012
(Millions of current dollars)



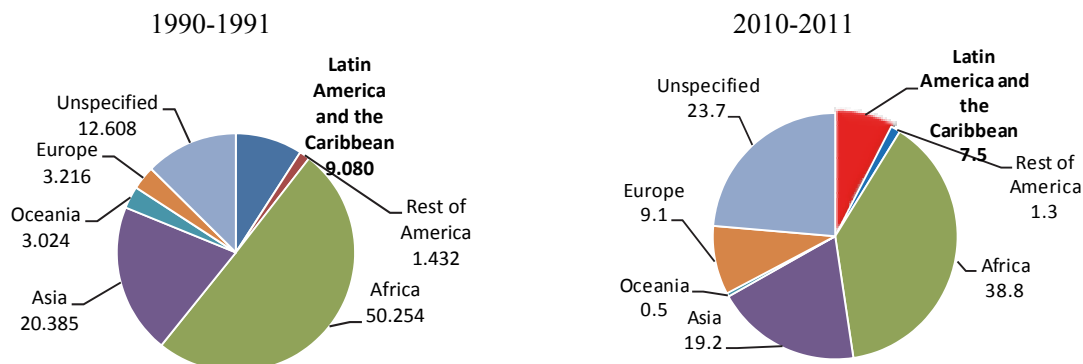
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the OECD.

As for the distribution of European Commission ODA funds by region, Latin America and the Caribbean accounted for 9.1% of the worldwide total in the early 1990s and 7.5% in 2010-2011 (see figure 2). The breakdown of ODA received by Latin America during the past 21 years shows the European Union as a whole as the largest donor, accounting for 47% of total assistance received.

In 2012, the European Union accounted for 43% of all Official Development Assistance in the world, and 12% of the total if the scope is narrowed to ODA from European institutions.

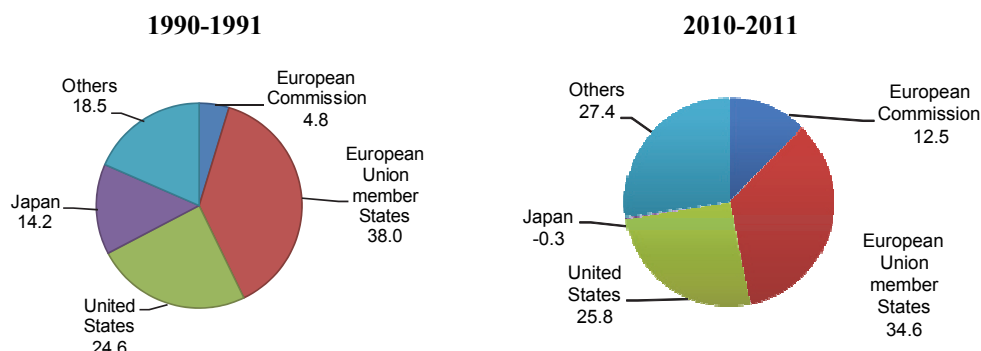
Flows from the member States fell 3% compared with the early 1990s; European Commission assistance grew from 5% to 12% in Latin America. For 2010-2011, European Union aid as a whole represented 47% of the total for the region, compared with 43% in 1990-1991 (see figure 3).

FIGURE 2
EUROPEAN UNION ODA, 1990-1991 AND 2010-2011,
BY RECIPIENT REGION
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the OECD.

FIGURE 3
EUROPEAN UNION ODA, 1990-1991 AND 2010-2011,
BY DONOR
(Percentage)

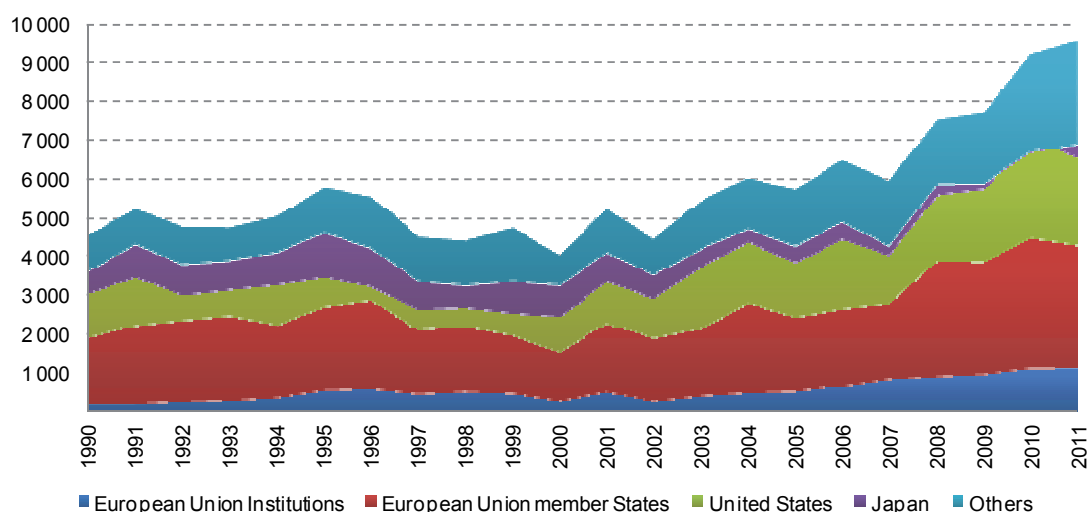


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the OECD.

ODA to Latin America from the major donors present in the region follows a pattern that is similar to ODA overall, with ODA from the United States and Japan being more volatile.

Figure 4 and table 1 show that ODA from Development Assistance Committee (DAC) countries surged after the signing of the Millennium Development Goals in 2000. Total ODA went from US\$ 4.6 billion to more than US\$ 7.7 billion between 2000-2002 and 2009-2011, growing at a rate of 8.4% during the past decade and recovering the ground lost in the 1990s when it shrank. ODA from the European Union –especially from European institutions– increased substantially and expanded by 14.3% in 2000-2011, with the member States going from a 3% drop in the 1990s to growth of nearly 10% in 2000-2011(see table 1).

FIGURE 4
OFFICIAL DEVELOPMENT ASSISTANCE TO LATIN AMERICA, 1990-2011
(Millions of current dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the OECD.

TABLE 1
OFFICIAL DEVELOPMENT ASSISTANCE TO LATIN AMERICA,
1990-1992, 2000-2002, AND 2009-2011
(Millions of dollars and annual growth rates)

	Average disbursements per triennium			Annual growth rates	
	1990-1992	2000-2002	2009-2011	1990-2000	2000-2011
European Union institutions	251	382	1 122	3	14
European Union member states	1 950	1 552	3 133	- 3	10
United States	1 022	1 022	2 244	- 2	9
Japan	724	701	32	4	- 9
Others	921	926	2 324	- 2	13
World	4 617	4 201	7 733	- 2	8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the OECD.

Between 2000 and 2011, the European Commission contributed US\$ 8.567 billion in ODA for Latin America and the Caribbean –11% of total ODA received during the period. European Union member States provided US\$ 26.921 billion, or 34.7% of total ODA. For the same period, taking the European Union as a whole would put its contribution at US\$ 35.488 billion, which is 45.7% of the total ODA received in Latin America and the Caribbean.

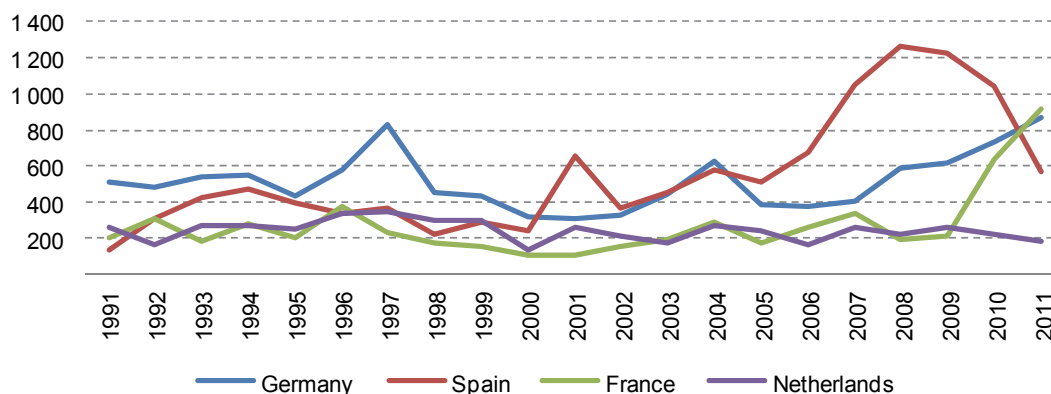
In 2011, the European Union as a whole executed US\$ 4.338 billion in ODA in Latin America and the Caribbean (45.2% of total ODA received in the region) and became the main donor at the regional level. During the same year, European Union member States that are donors in Latin America and the Caribbean provided US\$ 3.162 billion and the European Commission contributed US\$ 1.176 billion, accounting for 33% and 12%, respectively, of the total ODA received by Latin America and the Caribbean.

ODA flows into the countries of Latin America and the Caribbean from European Union institutions are strikingly more predictable and regular, and they increased substantially between 2002 and 2011. Priority-based programmes make cooperation funds from European institutions more stable and predictable (see figure 4). Because of their very nature, ODA flows from European institutions are sourced from multiannual budgets and based on specific financial instruments, with programming and timing commitments at the bilateral and regional level. This makes European “institutional” cooperation more predictable than ODA from other donors.

Development aid from Germany and France soared in the most recent biennium (2010-2011). Funds from France tripled in 2011, from US\$ 212 million to US\$ 920 million in 2011. German ODA topped US\$ 800 million (OECD, 2013). In 2011, both countries passed Spain as the largest donor in Latin America and the Caribbean. The level of aid from Spain was similar to that recorded in 2005; the figure for the Netherlands was 40% below the amount for 2005 (see figure 5).

Tracking ODA from European Union countries and European Union institutions shows that in the triennium 1990-1992, and during the most recent period (2009-2011), the share of total European ODA coming from Spain and France increased. Germany’s share fell during the most recent period, but it is still one of the major donors within the group of European Union countries. European institutions moved into first place as the source of ODA from the European Union. Other relevant countries are the Netherlands and Sweden, with significant shares (see table 2).

FIGURE 5
ODA FROM GERMANY, SPAIN, FRANCE AND THE NETHERLANDS
TO LATIN AMERICA, 1991-2011
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the OECD.

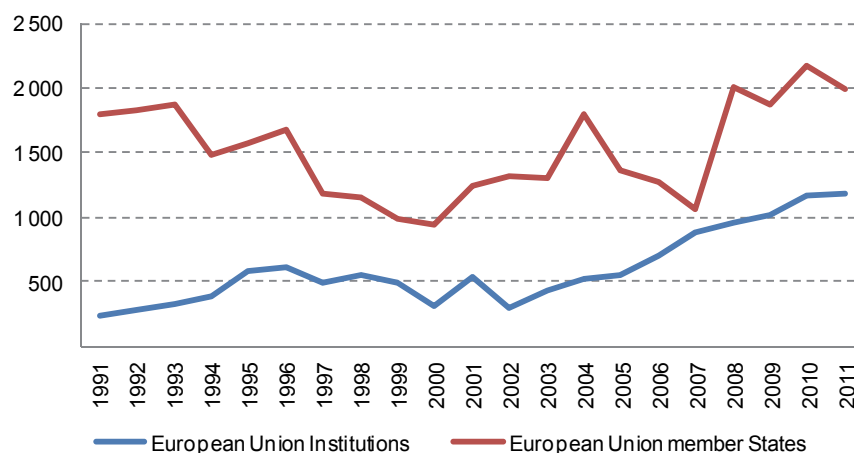
TABLE 2
ODA FROM MEMBER STATES TO LATIN AMERICA,
1990-1992, 2000-2002, AND 2009-2011
(Millions of dollars and annual growth rates)

European Union member States	Percentage of total			Annual growth	
	1990-1992	2000-2002	2009-2011	1990-2000	2001-2011
European Union institutions	11	20	26	3	8
Spain	13	22	22	6	-1
Germany	23	17	17	-5	11
France	11	6	14	-6	24
Netherlands	11	11	5	-7	-4
Sweden	5	6	3	8	2
Belgium	2	2	2	0	10
Denmark	1	4	2	12	1
United Kingdom	3	8	2	8	-2
Italy	17		2	-56	91
Finland	1	1	1	-7	17
Luxembourg	0	1	1	23	8
Austria	1	2	1	4	-11
Ireland				38	10
Total	187	178	178		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the OECD.

Disaggregating ODA flows from European institutions from disbursements and/or commitments by European Union member States clearly shows an uptrend in flows from European institutions. By contrast, funds from European Union member States are highly variable over time; this is also reflected in the pattern of ODA from the main donors, which is directly linked to changes in the fiscal health of the donor country (see figure 6).

FIGURE 6
ODA FROM THE 27 EUROPEAN UNION DONOR MEMBER STATES AND EUROPEAN INSTITUTIONS TO LATIN AMERICA, 1991-2011
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the OECD.

B. The legal framework for European Union cooperation

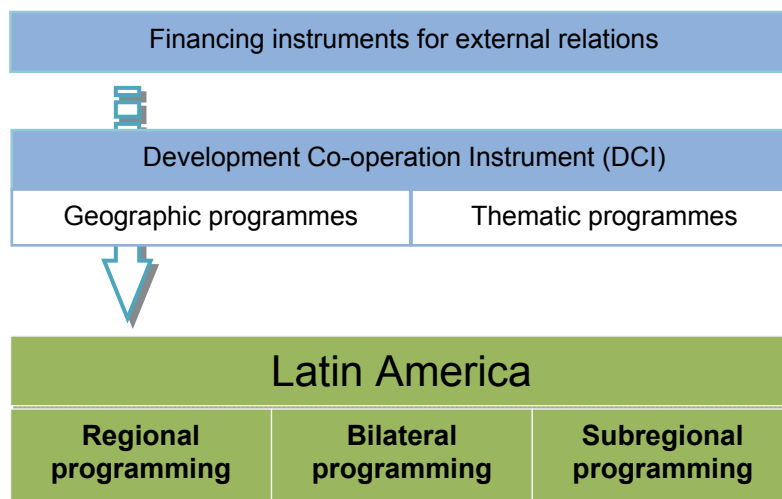
European Union cooperation policy is based on articles 177, 179 and 181 of the Treaty Establishing the European Community (current articles 208, 209 and 210 of the consolidated version, respectively)⁴. This cooperation is executed by the European Commission through various legal and financial instruments under budget line item Heading 4 EU External Action, regulating the scope of implementation and beneficiaries.

The current legal and financing instrument for European Commission cooperation in developing countries is the Financing Instrument for Development Cooperation (DCI), which was established in Regulation (EC) No. 1905/2006 of the European Parliament and of the Council of 27 December 2006.

This Financing Instrument for Development Cooperation covers the programming and implementation of geographic programmes in all of the developing countries of Asia, Central Asia, the Middle East, and Latin America, as well as South Africa. It also contributes, through thematic programmes, to the achievement of other European Union external action goals, in particular those relating to democracy, the promotion of sustainable economic, social and environmental development and the promotion of the rule of law, good governance and respect for human rights (see diagram 1).

⁴ The European Commission “shall carry out economic, financial and technical cooperation measures with third countries. Such measures shall be 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.”

DIAGRAM 1
APPLICABILITY OF THE FINANCING INSTRUMENT FOR DEVELOPMENT
COOPERATION (DCI) IN LATIN AMERICA, 2007-2013



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the systematization of official documents of the European Union.

The objectives and general principles of the DCI are set out in the Treaty of Lisbon and in policies agreed by the European Union, such as the European Consensus on Development (2005), which defines European Union development policy and spells out the objectives and guiding principles for cooperation.⁵

According to the 2007-2013 programming exercise, the 18 countries eligible for cooperation under Official Development Assistance funding from the European Union for Latin America, as established by the DCI, are Mexico, Honduras, Guatemala, Nicaragua, El Salvador, Costa Rica, Panama, Colombia, the Bolivarian Republic of Venezuela, Ecuador, Peru, the Plurinational State of Bolivia, Brazil, Argentina, Uruguay, Paraguay, Chile and Cuba.

The Financing Instrument for Development Cooperation with industrialized countries and territories and other high-income countries and territories (IPI +) was amended in 2009. This opened participation in this instrument to developing countries, expanding the financing instruments for cooperation in the region to three, including the European Development Fund (EDF) which is used for providing European Commission aid for development cooperation in the Caribbean.

In general, the DCI is implemented in Latin America through three kinds of programming: regional, bilateral and subregional.

C. How European Union cooperation in Latin America works

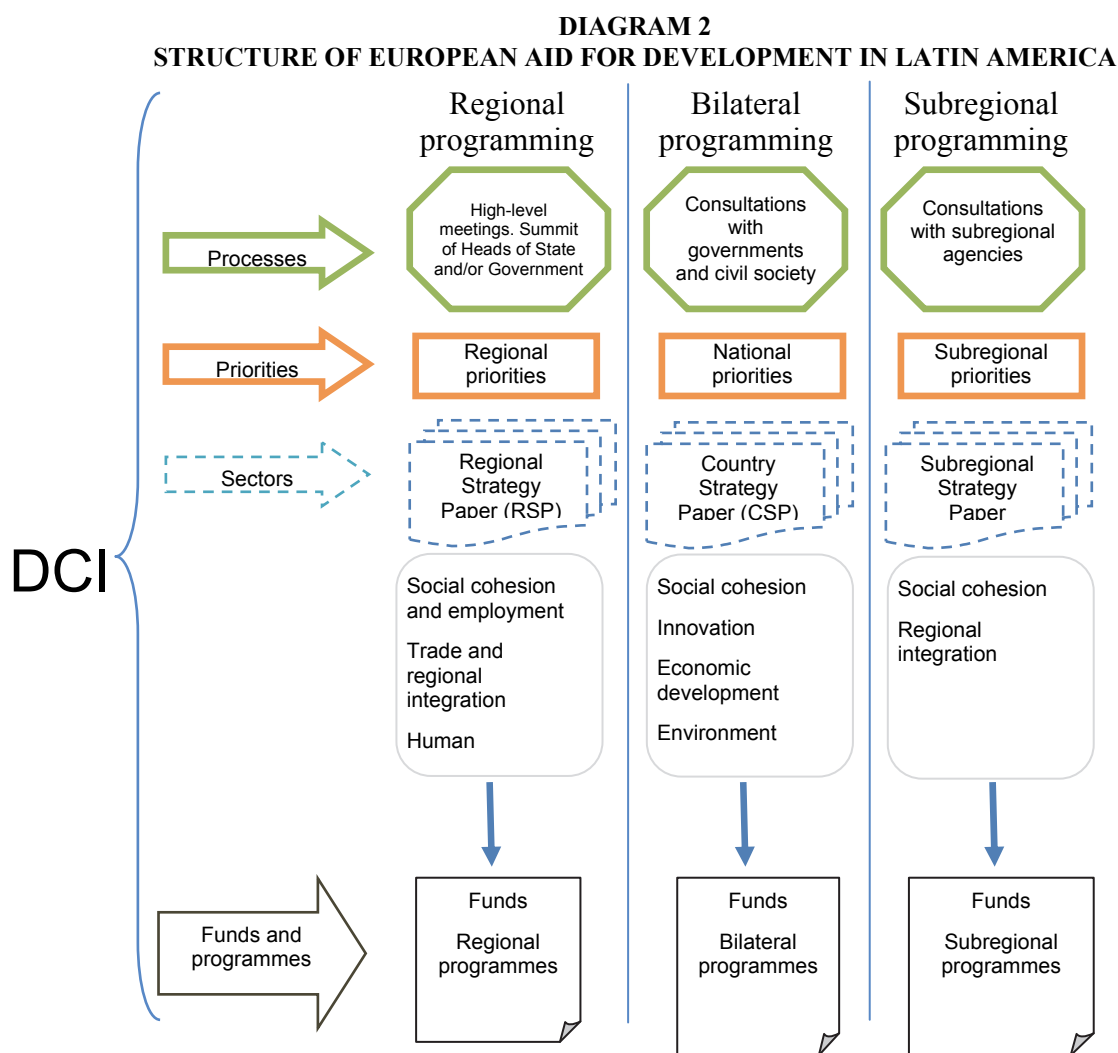
European Union institutional cooperation is under the purview of the European Commission (EC) and is implemented through the European External Action Service (EEAS). This Service is responsible for laying out policy and strategy guidelines for regional, subregional and bilateral cooperation programming. The Directorate-General for Development and Cooperation-EuropeAid (DG DEVCO) is responsible for delivery of aid on behalf of the EC.

⁵ Official Journal C 46 of 24.2.2006.

To set priorities for each country, the European Commission considers the Country Strategy Paper (CSP) prepared by EEAS in consultation with the relevant government and civil society, as the basis for bilateral programming. The European Commission uses Country Strategy Papers to formally establish a Memorandum of Understanding (MoU) with each government of the region setting out multiannual cooperation programming and the indicative funding that would be needed to meet each party's commitments, including the sectors in which the funds would be implemented.

When defining the bilateral programming, the European Commission should consider that the priorities set out in each document are aligned with the overall priorities that have been established for the region in the Financing Instrument for Development Cooperation.

In addition to bilateral multiannual programming, for Latin America and Cuba the European Commission has multiannual regional programming with a number of programmes at the regional level that complement national programmes and are open to all the countries of Latin America, in addition to Cuba. This regional programming is defined on the basis of the Regional Strategy Paper (RSP), which is also the responsibility of EEAS and DG DEVCO. These programmes should be consistent with the priorities set out in the DCI for the region and with the priorities emerging from European Union-Latin America and the Caribbean biregional summits.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official documents of the European Union.

Last but not least, the European Commission also has a cooperation programme at the subregional level geared towards providing support for Central America, the Andean Community and MERCOSUR integration activities and institutions. Priorities for this subregional programming (SICA, the Andean Community and MERCOSUR) are patterned on regional programming and must consider the priorities set by the DCI for Latin America (see diagram 2).

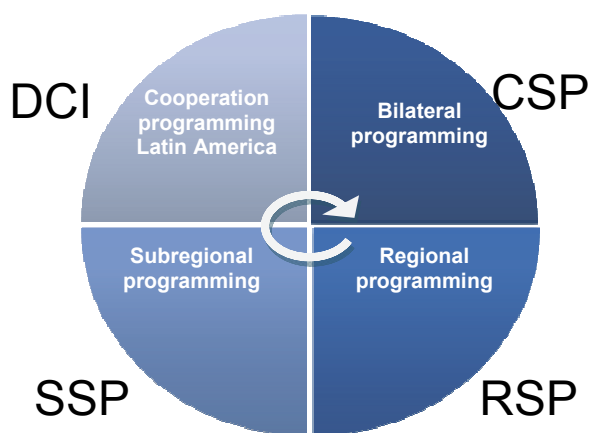
The European Union is one of the few donors in the region that provides funds for cooperation activities in support of integration efforts at the subregional level.

All resources for these three programming exercises come from the Regulation establishing the DCI (see diagram 3).

This multiannual cooperation programming in each country is complemented by other cooperation actions and projects funded under other DCI budget lines, such as global thematic programmes. These are open to the participation of all non-European Union member countries in the areas of environment and natural resource management; non-State actors and local development authorities; food security; and migration and asylum.

There are also a number of cooperation activities that, because they are not funded by ODA, come under the DCI. They are open to the countries of the region and are run directly by Directorates-General of the European Commission, as is the case with European Union Research Framework Programmes under the aegis of the Directorate-General for Research and Innovation, and they are open to third countries.

DIAGRAM 3
PROGRAMMING CYCLE FOR EUROPEAN UNION COOPERATION IN LATIN AMERICA,
2007-2013 BY DCI



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official documents of the European Union.

Notes: DCI: Financing Instrument for Development Cooperation; RSP: Regional Strategy Paper; SSP: Subregional Strategy Papers; CSP: Country Strategy Papers.

In short, there is strong interest on the part of the European Union in development cooperation with the countries of the region, as can be seen in the volume of European ODA funding committed and executed in recent years despite the fact that ODA from DAC members is shifting in concentration and focus to other regions of the world. While this process began in 2000 and cannot be reversed, there is no reason for it to intensify.

While Official Development Assistance provided by traditional donors in Latin America and the Caribbean has declined over the past 20 years while increasing in Africa and part of Asia, the ODA funds that the European Commission allocated to Latin America and the Caribbean between

1990 and 2011 accounted for 8% of the worldwide total, which jumped by 60% in the most recent programming exercise compared with the current programming in execution.⁶

With Latin America becoming less of a priority in the allocation of ODA funding as ODA became more concentrated and targeted starting in 2000, European Commission ODA to Latin America and the Caribbean has been gaining in relevance for a significant number of countries. In this context, European ODA funds are particularly important for countries where ODA still complements public policy by supporting important national, subregional and regional programmes in social areas (in particular those related to poverty reduction) and in other sectors, such as environment, the promotion of democracy, human rights and good governance, economic development and regional integration.

But these resources are also significant for developing countries that, despite improving economic indicators, still require cooperation in strategic sectors for their development and for facing global challenges such as the environment and climate change.

ODA funding implemented by the European Commission through cooperation programmes in the region, including multiannual programming for 2002-2006 and 2007-2013 (ongoing), totals 4.291 billion euros, not counting other funds from lines of financing other than those covered by the Regulation for Latin America and Asia (ALA) until 2005 and the Financing Instrument for Development Cooperation (DCI) for 2007-2013.

So, beyond the recent ODA trend in Latin America and the Caribbean, there are two major ODA donors present in the region accounting for more than 72% of total inward ODA. They are the United States, which is still the main individual donor (26%), and the European Union, which, taken as a whole, makes up 47%.

⁶ 1 685 billion euros in the 2002-2006 programming and 2.920 billion euros for the 2007-2013 programming currently in execution.

II. European Union cooperation in Latin America, 2007-2013

This chapter lists the priorities and areas selected by the European Union for foreign policy action, both globally and at the regional, subregional and bilateral levels in Latin America. The financial instruments and Heading 4 of the Multiannual Financial Framework 2007-2013 provide the basis for identifying European cooperation priorities, especially those linked to the Financing Instrument for Development Cooperation.

The chapter is divided in two sections. One is devoted to documentation and systematization of priorities (section A). The other examines the level of resources committed and allocated to each of the global, regional, subregional and bilateral programming exercises (section B). The amounts allocated to regional, subregional and bilateral priorities in Latin America were determined by compiling information in official documents of the European Commission.⁷

A. European Union cooperation priorities and areas, 2007-2013

European Union international cooperation priorities and areas are set out in each financing instrument providing the basis for implementing foreign policy action (see diagram 4).

The financing instruments provided for under Heading 4 of the Multiannual Financial Framework 2007-2013 set the following objectives for European Union global cooperation for the period:

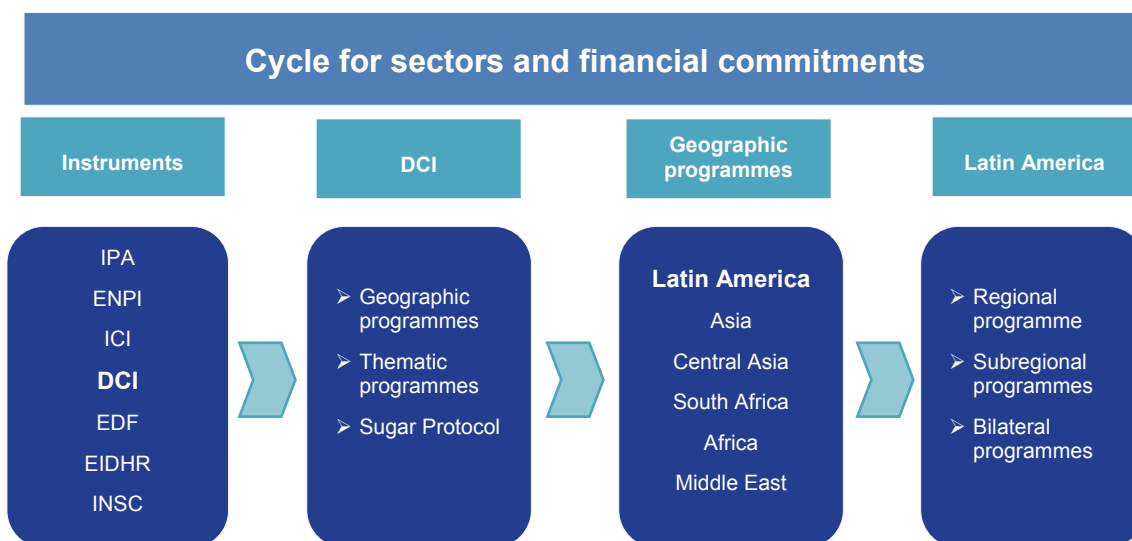
- Make the European Union a global player;
- Prepare for accession by countries with a European perspective;
- Take charge of the European neighbourhood from a regional perspective;
- Promote the eradication of poverty and regional integration worldwide, and support the sustainable development of all developing countries;

⁷ The general information comes from the DCI Regulation; the regional information is based on the DCI and the regional strategy paper. The subregional information draws from the three subregional strategy papers; the bilateral information comes from the 18 country strategy papers.

- Boost development and the consolidation of democracy and the rule of law (including respect for human rights and fundamental freedoms);
- Show European solidarity by quickly providing aid to disaster-stricken vulnerable persons outside the European Union;
- Support effective multilateralism and global governance;
- Improve the socioeconomic level of beneficiary countries and regions; and
- Contribute to civil and strategic security.⁸

Of the set of European Union foreign policy instruments for its 2007-2013 programming at the global level,⁹ the DCI is, because of its objectives, the instrument that the European Union uses for providing Official Development Assistance.¹⁰ Officially, the DCI is the instrument governing the implementation of Community aid to developing countries in Asia, Central Asia, the Middle East, South Africa and Latin America.

DIAGRAM 4
HOW EUROPEAN UNION COOPERATION IN LATIN AMERICA WORKS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official documents of the European Union. IPA: Instrument for Pre-Accession Assistance; ENPI: European Neighbourhood and Partnership Instrument; ICI: Industrialised Countries Instrument; DCI: Financing Instrument for Development Cooperation; EDF: European Development Fund; EIDHR: European Instrument for Democracy and Human Rights; INSC: Instrument for Nuclear Safety Cooperation. There are other Instruments in addition to those shown in the diagram.

The DCI encompasses 10 priorities or areas at the global level, which are implemented through various geographic and thematic programmes as established in article 5 of the Regulation.¹¹

⁸ “Public consultation: What funding for EU external action after 2013?” European Commission, p 9. This document does not state the official position of the European Commission.

⁹ Including the following instruments in addition to the DCI: European Neighbourhood and Partnership Instrument (ENPI); Instrument for Stability (IfS); European Instrument for Democracy and Human Rights (EIDHR); Industrialised Countries Instrument (ICI); Instrument for Nuclear Safety Cooperation (INSC); Instrument for Pre-Accession Assistance (IPA).

¹⁰ “Public consultation: What funding for EU external action after 2013?” European Commission, p. 21.

¹¹ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, Page L378/46. Also makes a budget provision for ACP sugar

1. Global DCI priorities and areas, 2007-2013

The 10 global priorities and areas established in the DCI for its geographic programmes for 2007-2013 as a framework for cooperation action are described below.

(a) Support for implementation of measures aimed at poverty eradication and at the achievement of the Millennium Development Goals

In keeping with United Nations guidelines setting goals for reducing poverty and promoting development, the European Union proposes as its first priority the implementation of cross-cutting measures aimed at achieving this objective and the Millennium Development Goals in general.

(b) Human development

This priority focuses ODA on the essential needs of the population, especially primary education and health.

- (i) Health: Increasing access to and provision of health services for lower-income population groups and marginalized groups, including women and children, persons belonging to groups subject to ethnic, religious or any other discrimination and persons with disabilities, with a central focus on the related MDGs, namely reducing child mortality, improving maternal and child health and sexual and reproductive health and rights, addressing poverty diseases, in particular HIV/AIDS, tuberculosis and malaria; strengthening health systems in order to prevent human resource crises in the health sector; enhancing capacities particularly in areas such as public health and research and development.
- (ii) Education: Giving priority in primary education to achieving quality primary education followed by vocational training and to reduce inequalities in terms of access to education; promoting compulsory and free education up to the age of 15 to combat all forms of child labour; aiming at achieving universal primary education by 2015, and at eliminating gender disparity in education; promoting vocational training, higher education, lifelong learning, cultural, scientific and technological cooperation, academic and cultural exchanges as well as enhancing mutual understanding between partner countries and regions and the Community.

(c) Social cohesion and employment

As an active part of the policy of inclusiveness that member States of the European Union promote within the Union, this priority focuses cooperation actions on persons as actors and recipients of ODA. Decent work, the fight against discrimination and the promotion of SMEs are the axes of the main actions promoted in this area.

- (i) Promoting social cohesion as a priority policy of the relations between the Community and partner countries, with a focus on decent work and social and fiscal policies, thereby fighting against poverty, inequality, unemployment and exclusion of vulnerable and marginalised groups;
- (ii) Combating all forms of group-based discrimination and promoting and protecting gender equality, indigenous peoples' rights and the rights of the child,¹² and actions to address

protocol countries. Article 5 of the DCI, on geographic programmes, provides that these “shall encompass cooperation in appropriate areas of activity with partner countries and regions determined on a geographical basis”, covering the countries of Latin America, Asia, Central Asia and the Middle East, as set out in annex I of the DCI, as well as South Africa.

¹² Including by supporting implementation of the UN Convention on the Rights of the Child.

the problems faced by street children and children undertaking forms of labour that are hazardous and/or hinder full-time education;

- (iii) Strengthening the institutional framework to promote and facilitate the creation of small and medium-sized enterprises with a view to stimulating job creation.

(d) Governance, democracy, human rights and support for institutional reforms

Support for civil society and its organization for the promotion of good governance, better social coexistence and respect for human rights are at the heart of this priority, giving impetus to multilateral cooperation directly related to development. This broad priority stresses the promotion of persons with the understanding that they are the end beneficiaries of cooperation. To help improve organization, dialogue and implementation of cooperation in areas such as civil society, governance, democracy and institutions, among other cross-cutting themes based on international reciprocal coexistence. The thrust of the multiple actions under this priority is detailed below in the following sections:

- (i) Promoting and protecting fundamental freedoms and human rights, strengthening democracy, the rule of law, access to justice and good governance including actions to combat corruption, which may include capacity building and strengthening the institutional and legislative framework, particularly in the areas of national administration, design and implementation of policies and management of public finances and national resources in a transparent way;
- (ii) Supporting an active civil society, including civil society organisations representing people living in poverty, as well as promoting civic dialogue, participation and reconciliation, and institution-building;
- (iii) Fostering cooperation and policy reform in the fields of security and justice, especially as regards asylum and migration, the fight against drugs and other trafficking including trafficking in human beings, corruption and money laundering;
- (iv) Fostering cooperation and policy reform in the field of migration and asylum with partner countries and promoting capacity building initiatives to ensure the formulation and implementation of pro-development migration policies to address the root causes of migration;
- (v) Supporting effective multilateralism, in particular through compliance with, and the effective implementation of, international law and multilateral agreements relevant to the field of development.¹³

(e) Trade and regional integration

This priority is central to European Union cooperation with countries and subregions, considering the trajectory of the European Union in the development of the trade and integration institutions that are a reference point for the development and advancement of integration and capacity building that drive the growth of countries and enhance relationships with subregional and multilateral agencies. Specific actions in this sphere are:

- (i) Assisting partner countries and regions on trade, investment and regional integration including technical assistance and capacity building to design and implement sound trade policies, favouring a more conducive business environment, sound economic and financial policies and private sector development, with a view to partner countries and

¹³ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, p. L378/47.

regions benefiting from their integration into the world economy and to supporting social justice and pro-poor growth;

- (ii) Supporting accession to the World Trade Organization (WTO) and implementation of WTO agreements by technical assistance and capacity building, in particular the implementation of the Agreement on Trade-Related Aspects of Intellectual Property (the TRIPS Agreement), notably in the area of public health;
- (iii) Supporting economic and trade cooperation and strengthening investment relations between the Community and partner countries and regions, including by actions to promote and ensure that private actors, including local and European businesses, contribute to socially responsible and sustainable economic development, including respect for the core labour standards of the International Labour Organization (ILO) and by actions to promote local capacity building.

(f) Environment and sustainable development of natural resources

Actions under Regulation (EC) No 1905/2006 of the European Parliament and of the Council, p. L378/47, are described below:

- (i) Promoting sustainable development through environmental protection and sustainable management of natural resources, including protection of biodiversity, and of forests, including activities for the conservation and sustainable management of forests with active participation of local communities and forest-dependent peoples;
- (ii) Supporting improvements in the urban environment;
- (iii) Promoting sustainable patterns of production and consumption and the safe and sustainable management of chemicals and waste, taking into account their impacts on health;
- (iv) Ensuring respect for and supporting the implementation of international environment agreements such as the Convention on Biological Diversity, the UN Convention to Combat Desertification and the UN Framework Convention on Climate Change in line with the EU Action Plan on Climate Change, and their protocols and any subsequent modifications;
- (v) Developing capacities for emergency preparedness and prevention of natural disasters;

(g) Water and energy

This priority, which is linked to the environment, aims to contribute to the sustainability and good management of water resources and their potential contribution to the resolution of issues of public health and its contribution to development.

- (i) Supporting sustainable integrated water resource management, with particular emphasis on universal access to safe drinking water and sanitation in line with the MDGs and sustainable and efficient use of water resources, including for agricultural and industrial purposes;
- (ii) Fostering greater use of sustainable energy technologies.

(h) Infrastructure, communications and transport

Contributing to the development of economic infrastructure, including support to regional integration, and promoting the increased use of information and communication technologies.

(i) Rural development, territorial planning, agriculture and food security

This priority includes supporting sustainable rural development, including decentralization and empowerment, particularly with a view to ensuring food security.

(j) Post-crisis situations and fragile States

- (i) Reconstructing and rehabilitating, in the medium and long term, regions and countries affected by conflict, man-made and natural disasters, including support for mine-action, demobilisation and reintegration actions, while ensuring the continuum between relief, rehabilitation and development in accordance with Article 2(6) of the DCI, bearing in mind the competencies of the Community and its Member States;
- (ii) Carrying out medium- and long-term activities aimed at the self-sufficiency and integration or reintegration of uprooted people, ensuring that an integrated and consistent approach between humanitarian aid, rehabilitation, aid to uprooted people and development cooperation is pursued. Community action shall facilitate the move from the emergency stage to that of development, encouraging the socioeconomic integration or reintegration of the people affected, and encourage the establishment or strengthening of democratic structures and the role of the population in the development process;
- (iii) In fragile or failing States, supporting the delivery of basic services and building of legitimate, effective and resilient public institutions;
- (iv) Addressing development challenges common to the Community and its partners, in particular support to sectoral dialogues, to the implementation of bilateral agreements and to any other area of action consistent with the scope of this Regulation.¹⁴

TABLE 3
GEOGRAPHIC PRIORITIES FOR COOPERATION UNDER THE EUROPEAN UNION
FINANCING INSTRUMENT FOR DEVELOPMENT COOPERATION, 2007-2011

Order of priority	Priority
I	Support for implementation of policies aimed at poverty eradication and at the achievement of the MDGs
II	Human development (health and education)
III	Social cohesion and employment
IV	Governance, democracy, human rights and support for institutional reforms
V	Trade and regional integration
VI	Environment and sustainable development of natural resources
VII	Water and energy
VIII	Infrastructure, communications and transport
IX	Rural development, territorial planning, agriculture and food security
X	Post-crisis situations and fragile States

Source: Economic Commission for Latin America and the Caribbean, on the basis of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006.

Along with these 10 priorities or areas, article 3.3 of the DCI encompasses the following cross-cutting issues: gender, human rights, indigenous peoples, environment and culture. The programmes systematically include follow-up criteria and indicators to ensure that the gender dimension, human rights and, in particular, indigenous populations, are taken into account. With a

¹⁴ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation. p. L378/48.

view to ensuring environmental sustainability, the DCI Regulation provides for environmental impact assessments, as appropriate, the results of which will be taken into account (European Commission, 2006, p. L378/48).

Thematic programmes under the DCI, open to direct participation of the countries, include the following priorities for 2007-2013: investing in people; environment and management of natural resources, including energy; non-State actors and local development authorities; food security; and migration and asylum.¹⁵

2. European Union cooperation priorities for Latin America, 2007-2013

For Latin America, the instrument that defines priorities and areas for European Union cooperation is the financing instrument for development cooperation, Article 6 of which defines five priorities or areas of cooperation for 2007-2013.¹⁶ They are:

- (a) *Promoting social cohesion as a shared goal and priority policy of Community-Latin America relations*, involving fighting poverty, inequality and exclusion. Particular attention shall be paid to social welfare and tax policies, productive investment for more and better jobs, policies to combat discrimination and production, consumption and trafficking of drugs, and improvements in basic social services, in particular health and education.
- (b) *Encouraging greater regional integration*, including support for different processes of regional integration and the interconnection of network infrastructures, while ensuring complementarity with activities supported by European Investment Bank (EIB) and other institutions;
- (c) *Supporting the reinforcement of good governance and public institutions, and of the protection of human rights*, including the rights of the child and indigenous peoples' rights;
- (d) *Supporting the creation of a common EU-Latin American higher education area*; and
- (e) *Promoting sustainable development in all its dimensions*, with particular attention to the protection of forests and biodiversity.

Of this set of five priorities for the region¹⁷ the European Union, through the Regional Strategy Paper for Latin America 2017-2013, has defined three focal sectors¹⁸ for geographic programming in Latin America (regional programmes) (see table 4).

¹⁵ "A thematic programme shall be subsidiary to programmes referred to in Articles 5 to 10 and shall encompass a specific area of activity of interest to a group of partner countries not determined by geography, or cooperation activities addressed to various regions or groups of partner countries, or an international operation that is not geographically specific". DCI Regulation, article 11, number 1, p. L378/50.

¹⁶ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation. Article 6, p. L378/48.

¹⁷ As per article 18 of the DCI.

¹⁸ European Commission, Latin America, Regional Programming Document 2007-2013. p. 17-18.

TABLE 4
PRIORITIES AND OBJECTIVES FOR EUROPEAN UNION COOPERATION
IN LATIN AMERICA, 2007-2013

Priorities	Objectives
Social cohesion and reduction of poverty, inequalities and exclusion	Stimulate dialogue between countries and subregions on the social cohesion dimension of national plans; Stimulate exchange of good practice and experience between countries and regions; Greater use of the EUROsociAL programme to exchange good practice and experience (in the field of taxation, health, justice and education); Sectoral monitoring and coordination by the Commission with regional international organisations (IDB, ECLAC, UNDP), EIB and IMF; and Cooperate to fight illegal drug trafficking.
Regional integration and economic cooperation	Promote the activities of business networks in the two regions in the area of trade and investment through measures such as exchanges between companies; 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; Promote interconnectivity and regulatory dialogue at the Latin American level; and Promote studies and conferences to meet regional priorities (ECLAC, ILO, EIB).
Investment in human resources and support mutual understanding	Strengthen the region's competitiveness by supporting human resources development and training, especially with respect to higher education through the Erasmus Mundus programme (external cooperation component); and Promote and deepen Latin American decision-makers' understanding of EU policies conducted in Latin America.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of the European Commission Regional Programming Document for Latin America 2007-2013.

1. *Social cohesion to consolidate the social fabric by, inter alia, reducing poverty, inequality and exclusion and cooperation in the fight against drugs (articles 5 and 6a of the DCI).*¹⁹

- Stimulate dialogue between countries and subregions on the social cohesion dimension of national plans in order to set common objectives;
- Stimulate exchange of good practice and experience between countries and regions;
- Greater use of EUROsociAL, the Commission's programme to exchange good practice and experience (in the field of taxation, health, justice and education);
- Joint monitoring by the Commission, UNDP, IDB, ECLAC, the World Bank, IMF and the EIB);²⁰
- Cooperation in combating international drug trafficking.

¹⁹ EC, Latin America Regional Programming Document 2007-2013 p. 17. The European Union has included strengthening cooperation in the fight against drug trafficking in this first priority area; it is encompassed in the cooperation agenda with Latin America set out in the DCI (Article 5h).

²⁰ Within the framework of its sectoral coordination exercise.

2. *Regional integration and economic cooperation (article 6b of the DCI)*²¹

- Promote the activities of business networks in the two regions in the area of trade and investment through measures such as exchanges between companies;
- 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;
- Promote interconnectivity and regulatory dialogue at the Latin American level, especially under the new EIB mandate for the region;
- Promote studies and conferences to meet regional priorities (along with ECLAC, ILO and EIB, among others).

3. *Human resources and mutual understanding between the European Union and Latin America (articles 2.1 and 5 of the DCI)*²²

- Strengthen the region's competitiveness in order to address regional challenges; support for human resources development, especially as concerns higher education through the Erasmus Mundus programme (external cooperation component).
- Promote mutual understanding between the two regions, and deepen 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.

3. Subregional cooperation areas in European Union programming for Latin America 2007-2013

For the three subregional programmes, also under the DCI, the cooperation programming areas were set in a Regional Strategy Paper for each of the counterparts: Central America, the Andean Community and MERCOSUR (see table 5). These priorities should be aligned with those contained in the DCI and the Regional Strategy Paper.

(a) Central America

According to the Central America Regional Strategy Paper 2007-2013, the overarching goal of European Union cooperation is to "Support the process of political, economic and social integration in the context of the Association Agreement between the European Union and Central America."²³ This support seeks to strengthen political and economic relations between the European Union and Central America and thus facilitate the negotiation and implementation of the Association Agreement on the basis of the mutual interest of both regions.²⁴

²¹ EC, Latin America Regional Programming Document 2007-2013 p. 18.

²² EC, Latin America Regional Programming Document 2007-2013 p. 18.

²³ Central America Regional Strategy Paper 2007-2013 p. 21.

²⁴ Cooperation between the two sides should be based on the objective of broad participation by civil society and the principles of social equality –including as regards gender, respect for minorities and different cultures, especially indigenous peoples, conflict prevention and environmental sustainability. Specific provision will be made in all three components of this response strategy for participation of civil society in preparation and implementation of the programmes in support of the regional integration process and to enhance the social ownership of the integration process and the visibility of the EC action. Central America Regional Strategy Paper 2007-2013 p. 23.

There are three priorities for achieving this goal:

(a) Strengthening of the institutional system for Central American integration. According to the Central America Regional Strategy Paper 2007-2013 the objective of this component is to support the reform of the Central American integration system by means of reinforced capacity, improved coordination, legal bases, effective financing mechanisms, mandates, organisation and improved technical competence and human resources amongst the various players involved.²⁵

(b) Consolidation of the regional economic integration process. The main objective of this component is to support the creation of a regional customs union and to reduce non-tariff obstacles to intra-regional trade with the prospect of a possible future common market.²⁶

(c) Reinforcement of regional governance and security. The third group of measures covers aspects of strengthening regional governance in the context of mitigating the impact of the free movement of goods, capital and persons due to increasing regional integration, in particular in the process of the creation of a customs union and the development of an internal market.²⁷

(b) Andean Community

For the Andean Community of Nations, the Andean Community Regional Strategy Paper sets regional integration as the central goal for cooperation for 2007-2013.²⁸

Three priorities have been set in order to achieve this goal:

(a) Regional economic integration. Cooperation activities in this area concentrate on the economic integration process, for example the free movement of services and goods, capital and persons. Negotiations for an Association Agreement may also identify further activities. Coordination with national cooperation activities and with the IDB should be the aim when choosing specific projects.²⁹

(b) Social and economic cohesion. Cooperation in this area³⁰ covers a wide variety of sectors including in particular the rights of indigenous peoples, employment, cultural industries³¹,

²⁵ Cooperation may be directed towards regional institutions, inter-governmental coordination systems and national entities involved in the integration process. This support will be limited to these institutions' involvement in questions strictly related to regional integration. Central America Regional Strategy Paper 2007-2013 p. 22.

²⁶ European Union cooperation will seek creation of the Central American customs union; support for specific aspects of the economic integration process such as custom and trade facilitation, and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade, sanitary and phytosanitary (SPS) measures, development of a regional approach to technical regulations on goods and to standardisation based on international standards to promote free movement of goods and avoid technical barriers to trade (regulatory harmonisation and mutual recognition), services and investment and intellectual property rights; and the development and implementation of other harmonised and common policies and legislation within the Central American region that will contribute to the creation of a common market. For the latter, initiatives that could be considered range from fiscal policy (for instance, support to tax administration to improve the collection of taxes and facilitate transparency and effective exchange of information), and labour legislation to environmental measures, inter alia. Central America Regional Strategy Paper 2007-2013 p. 22.

²⁷ Within the DCI area of cooperation on governance, democracy, human rights and support for institutional reform, in particular related to co-operation and policy reform in the fields of security and justice, the Community will carry out measures which shall fully respect OECD-DAC guidelines, taking also into consideration relevant European Council Conclusions. Central America Regional Strategy Paper 2007-2013 p. 23.

²⁸ Andean Community Regional Strategy Paper 2007-2013 p. 23.

²⁹ Due consideration to the environment will be given when promoting regional economic integration and trade, in terms both of the impact such projects could have on the environment and of raising awareness of sustainable development. Andean Community Regional Strategy Paper 2007-2013 p. 24.

³⁰ Including social cohesion at the Andean subregion level adds a new dimension of European Commission cooperation at this level by adding social cooperation, which had been approached primarily on a bilateral basis, providing added value at the regional level compared with cooperation at the national level. Andean Community Regional Strategy Paper 2007-2013, p. 24.

gender and the environment. Cooperation between the countries in the social field should be enhanced along with intra-regional dialogue. Cooperation activities should comprise technical assistance at policy level and/or projects with a minimum of two Andean countries involved. Such projects will focus on themes falling within the scope of the PIDS, or under a more developed social and economic cohesion strategy and/or the future Andean Strategy for Territorial Development.³²

(c) The fight against illicit drugs.³³ The fight against drugs is a priority for the Andean countries because of the destabilising effect that drugs and related crime have upon their democratic institutions and social fabric and is also a priority for Europe because of the devastating effects of drugs and drug-related crime upon its societies.³⁴

(c) MERCOSUR

Cooperation action between the European Union and MERCOSUR is aimed at supporting the objectives of MERCOSUR's integration process. The core objective is to cooperate with MERCOSUR in its progress towards a higher degree of political and economic integration.³⁵

According to the MERCOSUR Regional Strategy Paper 2007-2013, MERCOSUR faces three major sets of challenges. A first set of challenges relates to MERCOSUR's institutional structure and the need to improve its decision-making process and its capacity for implementing and enforcing common legislation.³⁶ A second set relates to trade and economic aspects: the finalisation of its common external tariff and the common market, the adoption of common trade defence and competition mechanisms, the abolition of the existing trade promotion systems, the abolition of double tariff collection on imports, progress in the area of technical norms and standards, industrial policy and physical infrastructure, among others. A third set of challenges relates to the awareness and involvement of MERCOSUR's civil society in the regional integration project.

European cooperation with MERCOSUR during 2007-2013 thus encompasses the three priorities listed below:

(a) Support for MERCOSUR institutionalisation. The objective of European cooperation will be to improve the efficiency and effectiveness of MERCOSUR institutions, allowing them to fully contribute to the decision-making process. European cooperation shall invest in selected forms of institutional support, according to MERCOSUR's plans for institutional development.

³¹ Including audiovisual, media, music, content for the information society, publishing, etc. Andean Community Regional Strategy Paper 2007-2013 p. 25.

³² Andean Community Regional Strategy Paper 2007-2013 p. 24.

³³ Moreover, the strategy assumes that the mere fact of promoting closer links between the Andean countries, regardless of the sector chosen, will result in positive spill-over effects in other sectors (for example, greater social cohesion should enhance political stability). Andean Community Regional Strategy Paper 2007-2013 p. 23.

³⁴ Andean Community Regional Strategy Paper 2007-2013 p. 26. In view of the above, the EU-CAN High-Level Specialised Dialogue on Drugs was created and has become a useful forum to discuss jointly the scope of cooperation activities. Since the mid-1990s, the EU and the Andean Community have engaged in a political dialogue in which the fight against drugs has often featured, as illustrated by the May 2005 Ministerial meeting in Luxembourg where the need to strengthen the joint efforts in this area was strongly underlined by all the ministers participating. The same need was again strongly emphasised during the EU-CAN "High-Level Specialised Dialogue on Drugs" and the EC-CAN Chemical Precursor meetings which took place in Lima in May/June 2005. These meetings have brought together high-level experts from both regions to exchange experience, discuss ways of coordinating activities better and identify possible areas of cooperation. Andean Community Regional Strategy Paper 2007-2013 p. 25.

³⁵ This type of cooperation at regional level is coherent with the EC's bilateral cooperation with individual Mercosur members, which will primarily concern national issues related to social cohesion, education, research and development, and economic competitiveness. Political dialogue is the key to enhancing coordination and complementarity in the overall process. MERCOSUR Regional Strategy Paper 2007-2013 p. 25.

³⁶ MERCOSUR Regional Strategy Paper 2007-2013 p. 25.

(b) Support for the deepening of MERCOSUR and implementation of the future EU-MERCOSUR Association Agreement.

- Support for the deepening of MERCOSUR. This priority consists of assisting with the deepening of MERCOSUR in all aspects, especially in the trade and economic fields and with regard to the completion of a customs union. European Commission cooperation should act as a tool in contributing to MERCOSUR integration plans, especially in the trade and economic fields.

- Implementation of the future EU-MERCOSUR Association Agreement. Cooperation under the EU-MERCOSUR agreement should aim to contribute to the objectives of the agreement; one of the main purposes of biregional cooperation will be to facilitate the implementation of the agreement. The good functioning of the agreement will be at the core of this priority and at the centre of any programme or action selected for this priority. Implementing the future agreement, especially its trade chapter, will present a major challenge and particular attention should be given to the promotion of customs and trade facilitation and the acceptance of international standards such as the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade.³⁷

TABLE 5
EUROPEAN UNION COOPERATION PRIORITIES AND OBJECTIVES AT THE
SUBREGIONAL LEVEL IN LATIN AMERICA, 2007-2013

Subregion	Objectives
Support the political, economic and social integration processes in the context of the Association Agreement between the European Union and Central America	Strengthening of the institutional system for Central American integration Consolidation of the regional economic integration process Reinforcement of regional governance and security
Strengthen regional integration in the Andean Community	Regional economic integration Social and economic cohesion Fight against illicit drugs
Strengthen the integration of MERCOSUR	Support for the institutionalisation of MERCOSUR Support for the deepening of MERCOSUR and implementation of the future EU-MERCOSUR Association Agreement Efforts to strengthen civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of European Commission Regional Programming Documents for Central America, the Andean Community and MERCOSUR 2007-2013.

(c) Efforts to strengthen and enhance civil society participation, knowledge of the regional integration process, understanding and mutual visibility. This priority aims at furthering regional integration beyond institutional and trade issues and at increasing civil society awareness of, and participation in, the integration process. The overall objective of this priority is to increase the legitimacy of the integration process and foster a new impetus by engaging new actors and decision shapers and to invest in the long-term development of the awareness of a MERCOSUR identity. It also aims at increasing the knowledge and visibility of the EU among the non-specialised public, as a political partner and an example of regional integration.³⁸

³⁷ In order to ensure full coherence with the Country Strategy Papers (CSPs) for Argentina, Brazil, Uruguay and Paraguay, all trade aspects and trade-related assistance (implementation of the future trade chapter of the EU-MERCOSUR Association Agreement, deepening of the trade aspects of MERCOSUR and trade facilitation) will be dealt with primarily at the regional level through priority 2. MERCOSUR Regional Strategy Paper 2007-2013 p. 27.

³⁸ This priority could lead to projects in education and the audiovisual areas. MERCOSUR Regional Strategy Paper 2007-2013 p. 27.

4. Areas of cooperation at the bilateral level in European Union geographic programming for Latin America 2007-2013

Concerning the areas of bilateral cooperation set out in its programming for 2007-2013 for the countries of Latin America (DCI beneficiaries), the European Union has established, through the respective Country Strategy Papers, areas of cooperation that usually do not encompass more than three priority sectors. These priorities mesh with DCI criteria for the region. The two areas that recur most frequently in the bilateral programmes are social cohesion and economic growth and integration.

At the bilateral level for Central America, there are between two and four committed priority areas. The two receiving the most attention are social cohesion and economic growth and integration. Nicaragua is a special case in that it is the only country with four priority areas. They include, in addition to general areas for the region as a whole, governance and democracy and sector-based support for the implementation of sectoral programmes.

In the Andean Community there are at most two or three areas at the bilateral level, distributed evenly among the four countries. Colombia and the Plurinational State of Bolivia both have three priority areas in addition to focus areas for the region as a whole. In Colombia the focus is on peace and stability, including alternative development, and the rule of law, justice and human rights. For the Plurinational State of Bolivia there is additional focus on supporting the Bolivian government in the fight against production and trafficking of illicit drugs and sustainable management of natural resources. In the case of Peru and Ecuador, the two priority areas for each country exactly match those set out for the region in the DCI.

For the MERCOSUR countries, there are two bilateral priority areas except for Argentina, which has three. The two priority areas in Brazil are bilateral relations Brazil-EU and environment and sustainable development. For Uruguay the emphasis is on its second priority area: innovation, research and economic development. In the case of Argentina, with three areas, the focus is on strengthening Argentina-EU bilateral relations. For Paraguay, with two priority areas committed, the emphasis is on education (primary, secondary and vocational).

In the case of Mexico, with three priority areas committed, the focus is on education and culture. For Chile, with three priority areas, the emphasis is on innovation and competitiveness and education: university exchanges and scholarships. In the Bolivarian Republic of Venezuela, the two priority areas committed are modernization and decentralization of the State and equitable growth and diversification of production. Finally, in the case of Cuba, the three areas of cooperation are food security, environment and climate change, exchange of experts, and training and studies.

In short, the regional and subregional programming priority areas for ODA from the European Union for the 2007-2013 programming exercise are, in general terms, those established for Latin America in the Financing Instrument for Development Cooperation through the Regional Strategy Paper for regional programming and the three Regional Strategy Papers for the three subregional programming exercises (see table 6).

As for the implementation of priorities and their allocation to bilateral programmes, the main priorities are, once again, trade and regional integration and social cohesion, followed by governance, human rights and support for institutional reforms, and education (see table 7).

The way programming is based on the areas targeted in the respective financing instrument (in this case the DCI) shows the importance of timing as the European Commission establishes and formalizes priorities in the respective Strategy Papers (regional, subregional and bilateral). These priorities become a golden rule for implementing programmes and funds at all levels. The programming process becomes definitive once the Regional Strategy Paper and the respective Subregional Strategy Papers are drafted. For this reason, the level of participation in the process on the part of recipient countries, so as to bring their interests to bear as programme priorities are set, is key.

TABLE 6
EUROPEAN UNION: SUMMARY OF GLOBAL, REGIONAL, SUBREGIONAL AND
BILATERAL PRIORITIES IN THE 2007-2013 PROGRAMMING EXERCISE

Priorities	Overall	Latin America	Central America	Andean Community	MERCOSUR	Bilateral
Support for eradication of poverty and achievement of MDGs	X					
Human development: focus on health and education	X					
Social cohesion and employment	X	X		X		X
Governance, democracy, human rights and support for institutional reforms	X		X			X
Trade and regional integration	X	X	X	X	X	X
Environment and sustainable development of natural resources	X					X
Water and energy	X					
Infrastructure, communications and transport	X					
Rural development, territorial planning, agriculture and food security	X					
Post-crisis situations and fragile States	X					
Human resources and mutual understanding (education)	X	X			X	X
Innovation, research and economic development ^a						X
Support the fight against production and trafficking of illicit drugs				X		X
Reinforcement of the role of civil society in MERCOSUR ^b					X	X

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006, the Regional Strategy Paper, the three Subregional Strategy Papers and the 18 European Commission Country Strategy Papers 2007-2010.

^a Bilateral priority.

^b Subregional and bilateral priority.

As for the implementation of priorities and their allocation to bilateral programmes, the main priorities are, once again, trade and regional integration and social cohesion, followed by governance, human rights and support for institutional reforms, and education (see table 7).

The way programming is based on the areas targeted in the respective financing instrument (in this case the DCI) shows the importance of timing as the European Commission establishes and formalizes priorities in the respective Strategy Papers (regional, subregional and bilateral). These priorities become a golden rule for implementing programmes and funds at all levels. The programming process becomes definitive once the Regional Strategy Paper and the respective Subregional Strategy Papers are drafted. For this reason, the level of participation in the process on the part of recipient countries, so as to bring their interests to bear as programme priorities are set, is key.

Priorities and areas of cooperation at the bilateral level, which also emerge from the priorities established in the DCI for the region, are reflected in the respective Country Strategy Papers. Although the respective governments as well as civil society are consulted during this process, there is little room for setting new priorities or target areas for European cooperation commitments, especially

if contingencies (not just climate-related ones but political ones, too) arise that could impact a significant part of the agreed programming. The same is true for new thematic areas that are not considered in the DCI or the respective Country Strategy Paper but are part of the areas of cooperation under the respective Association and/or Cooperation Agreements, leaving sectors that are not covered by development cooperation.

TABLE 7
EUROPEAN UNION, SUMMARY OF BILATERAL PRIORITIES FOR COOPERATION WITH
LATIN AMERICA AND CUBA, 2007-2013 PROGRAMMING EXERCISE

Countries/ Priorities	Social cohesion and employ- ment	Governance, human rights and democracy	Trade and regional integration	Environment and development of natural resources	Human resources (education)	Innovation, research and economic development	Other bilateral priorities ^a
Nicaragua		X	X		X		X
El Salvador	X		X				
Guatemala	X		X				
Costa Rica	X		X				
Panama	X		X				
Honduras	X	X		X			
Colombia		X	X				X
Bolivia (Plurinational State of)			X	X			X
Ecuador			X		X		
Peru	X	X					
Uruguay	X					X	
Argentina			X		X		X
Brazil				X			
Paraguay			X		X		
Mexico	X		X		X		
Chile	X				X	X	
Venezuela (Bolivarian Republic of)		X	X				
Cuba				X	X		X

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of European Commission Bilateral Strategy Papers 2007-2010.

^a Bilateral priorities for individual countries.

In the ongoing multiannual year programming exercise for 2007-2013 there is only one priority area that recurs at all levels (regional, subregional and bilateral): trade and regional integration. Social cohesion and employment appears at the regional and bilateral levels and is present in just one subregional programme (Andean Community). The situation is similar for the priority area of human resources and mutual understanding. It is present in bilateral and regional programming but only one at the subregional level: MERCOSUR.

In general, it is the bilateral programming that encompasses a greater number of the three priority areas (social cohesion and employment; trade and regional integration; human resources and mutual understanding) as well as new areas like in the case of Brazil and Argentina in MERCOSUR and the Plurinational State of Bolivia and Colombia in the Andean Community of Nations.

B. Funding committed under European Union cooperation programming 2007-2013

1. Funding committed under European Union cooperation programming 2007-2013 at the global level

The funding committed by the European Union for external action at the global level is set out in foreign policy instruments under the Multiannual Financing Framework for 2007-2013. Commitments under these financing instruments (policy-driven geographic instruments, thematic instruments and instruments for emergency and disaster issues) under EU budget heading “Heading 4: EU as a global player” for 2007-2013 amount to 56 billion euros (6% of the total EU budget).³⁹

In addition to funding under Heading 4, for external action during 2007-2013 the European Union can draw on funding from the European Investment Bank (EIB), which has an external mandate guaranteed by the EU Budget representing a loan volume of 27.8 billion euros,⁴⁰ as well as the resources of the European Development Fund (EDF), which supports cooperation with African, Caribbean and Pacific (ACP) countries and with overseas countries and territories (OCTs). The total resources of the 10th EDF amount to 22.7 billion euros for 2008-2013.⁴¹

Funding committed by the European Union for external action at the global level for 2007-2013, plus the resources of the EIB, EDF and stocks of emergency aid under Heading 4, therefore totals 108 billion euros⁴² (see table 8).

TABLE 8
FUNDING FOR EXTERNAL ACTION, 2007-2013
(Billions of euros)

Type of external action	Instrument	Amount	Percentage of total	Latin America and the Caribbean	Percentage of total
EU as world player	DCI	56.0	51.8	2.7	4.8
Loans and loan guarantees	EIB	27.8	25.7	2.8	10.1
European Development Fund ^a	EDF	22.7	21.0	1.3	5.7
Emergency aid		1.7	1.6	0.2	11.8
Total		108.2	100.0	7.0	6.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of the document “Public Consultation: What funding for EU external action after 2013? European Commission 2012. The reference document is not a statement of official position of the European Commission[online at] http://ec.europa.eu/development/icenter/repository/EU_external_action_2013_background_paper_ES.pdf.

^a EDF funding is for 2008-2013.

Of the set of foreign policy instruments provided for in Heading 4, the Financing Instrument for Development Cooperation (DCI) for Latin America accounts for 30% of the total funds available under the various instruments. And because of its greater specific weight, it is the most relevant (see figure 7).

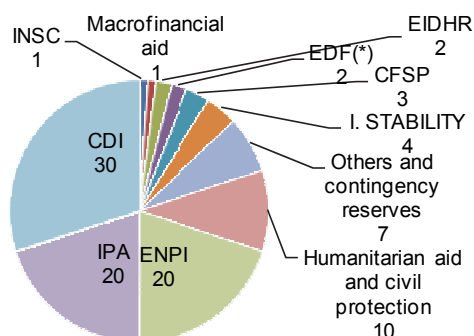
³⁹ Public Consultation: What funding for EU external action after 2013? European Commission, p. 11. Around 90% of Heading 4 spending is ODA eligible, p. 21.

⁴⁰ Council Decision (EC) No 1016 of 19 December 2006 granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community (DO L 414 of 30.12.2006).

⁴¹ Public Consultation: What funding for EU external action after 2013? European Commission, p. 9. EDF funding is not part of the EU budget.

⁴² Consultation: What funding for EU external action after 2013? European Commission, p. 23.

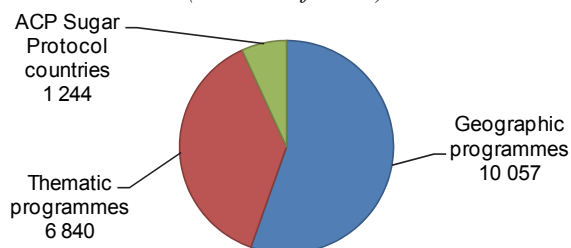
FIGURE 7
FINANCING INSTRUMENTS 2007-2013
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of the document “Public Consultation: What funding for EU external action after 2013? European Commission 2012. The reference document is not a statement of official position of the European Commission. [online at] http://ec.europa.eu/development/icenter/repository/EU_external_action_2013_background_paper_ES.pdf

For 2007-2013 the DCI provides an indicative allocation of 10.057 billion euros for geographic programmes (60% of its total funding) and 6.84 billion euros for thematic programmes (33%). For Sugar Protocol countries the figure is 1.244 billion euros (7% of the total for this instrument)⁴³(see figure 8).

FIGURE 8
COMMITMENTS UNDER THE FINANCING INSTRUMENT FOR DEVELOPMENT COOPERATION (DCI) 2007-2013
(Millions of euros)

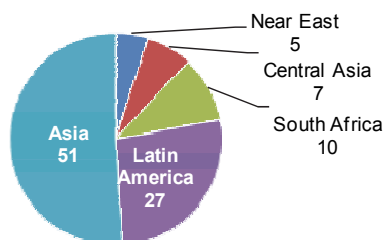


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation (DCI). Annex IV. p L378/70.

As for the distribution of the geographic programme under the DCI, the funds are concentrated in Asia (51%), followed by Latin America with 27% of the total funds allocated to geographic programmes (see figure 9).

⁴³ DCI Annex IV, p. L378/70 2006.

FIGURE 9
COMMITMENTS UNDER DCI GEOGRAPHIC PROGRAMMES 2007-2013



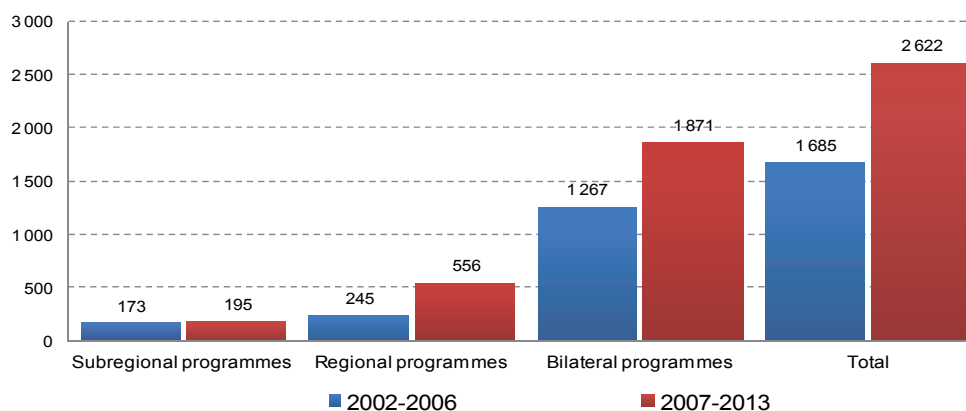
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation (DCI). Annex IV. p L378/70.

2. Commitments under European Union cooperation programming in Latin America 2007-2013

European Commission commitments for Latin America under DCI geographic programmes total 2.622 billion euros for 2007-2013. This is a 55.6% increase over the 2002-2006 programming exercise, when the European Commission committed 1.685 billion euros.

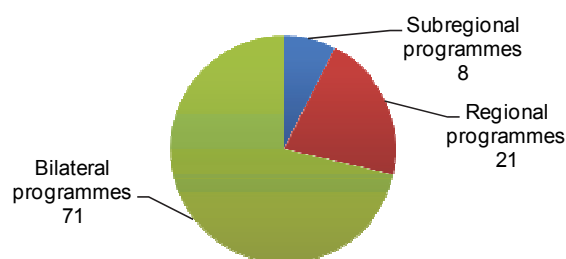
This geographic programming for Latin America commits 556 million euros for regional programming, which is 2.3 times more than commitments under the previous programming exercise and accounts for 21% of the total funds allocated. Commitments for the three subregional programming exercises total 195 million euros, which is up 12.7% over the previous programming and accounts for 7% of the total. For the 18 bilateral programming exercises, commitments total 1.871 billion euros, which is a 47.7% increase compared with the previous programming exercise and 71% of total geographic programming for Latin America (see figures 10 and 11).

FIGURE 10
FUNDING EXECUTED UNDER PROGRAMMING 2002-2006 AND COMMITMENTS UNDER PROGRAMMING 2007-2013 FOR LATIN AMERICA



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of RSP for Latin America 2007-2013, SSP for Central America, Andean Community and MERCOSUR and CSP (17 documents). Only includes regulation funds for the Latin America – Asia LAA (2002-2006) and DCI for the period 2007-2013.

FIGURE 11
DCI COMMITMENTS UNDER COOPERATION PROGRAMMING FOR LATIN AMERICA
2007-2013

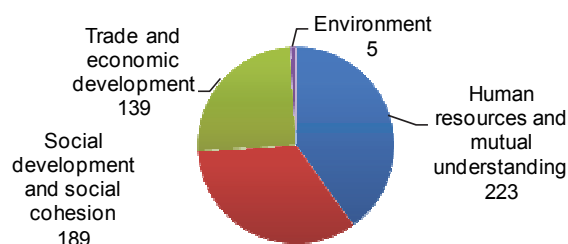


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of RSP for Latin America 2007-2013, SSP for Central America, Andean Community and MERCOSUR and CSP for the period 2007-2013 (18 documents).

3. European Union commitments under regional programming 2007-2013

Funding committed by the European Union for regional programming (programmes that are regional in scope) for the 2007-2013 programming exercise totals 556 million euros. The largest share is allocated to the area of *human resources and mutual understanding*, at 223 million euros or 40% of total funding. In second place is *social development and social cohesion*, with 189 million euros or 34% of the total funding for this programming exercise. Ranking third is the area of *economic development and trade*, at 139 million euros or 25% of total commitments. Funding committed to the *environment* area includes 5 million euros for cross-cutting action, representing 1% of the total funding (see figure 12).

FIGURE 12
REGIONAL COOPERATION PROGRAMMING AREAS
LATIN AMERICA 2007-2013
(Millions of euros)



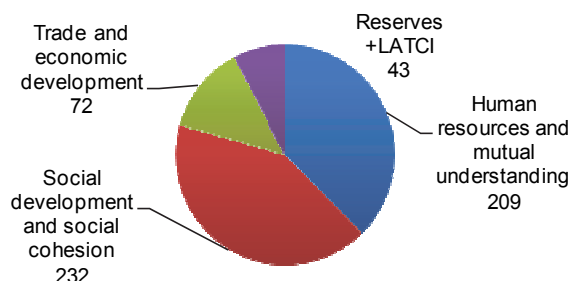
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of RSP for Latin America 2007-2013.

In keeping with the *Mid-Term Review and Regional Indicative Programme 2011-2013* for Latin America, LAIF (Latin America Investment Facility) was subsequently included in the regional programming, in the *social development and social cohesion* area, with an indicative amount of 125 million euros in order to support regional investments in infrastructure.

The second change to this same area, initially regarded in the programme as cross-cutting action under *environment*, involves three specific programmes in this area totaling 10.2 million euros

in commitments.⁴⁴ The regional programme after the mid-term review, while maintaining the same commitments, allocates the most to *social development and social cohesion*, which increases by 43 million euros to 232 million euros committed (42% of total funding). Second comes *human resources and mutual understanding*, which decreased by 14 million euros to stand at 209 million euros or 38% of total funding. In third place is *economic development and trade*, which decreases by 67 million euros to stand at 72 million euros or 13% of the total resources committed in programming at the regional level (see figure 13).

FIGURE 13
COOPERATION AREAS UNDER THE REVISED LATIN AMERICA REGIONAL
PROGRAMMING, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the *Mid-term Review and Regional Indicative Programme 2011-2013 for Latin America*. Includes the LAIF, EUROCLIMA y EURO-SOLAR programmes under the social development and social cohesion area. Reserves total 31 million euros.

a) **Regional programmes in the 2007-2013 programming exercise**

Over the years, the European Union has built regional programming in Latin America consisting of specific programmes (regional in scope) that are increasingly complex and comprehensive. These programmes embody the priorities established at the initiative of the European Union, and, in other cases, pursuant to priorities agreed at the Biregional European Union-Latin America and Caribbean (EU-LAC) Summits, covering areas ranging from education, social cohesion and infrastructure to regional and economic integration.

Social development and social cohesion

In the area of social development and social cohesion (which accounts for the largest share of resources committed by the European Commission for regional programming after the changes made), the EUROsociAL II programme, geared towards promoting social cohesion in Latin America,⁴⁵ was launched with a budget of 41 million euros.⁴⁶ EUROsociAL II activities are focused on supporting national public policies aimed at improving the levels of social cohesion and strengthening public institutions through the exchange of knowledge, experience and good practices.

⁴⁴ Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p. 23.

⁴⁵ This programme was created in 2005 pursuant to the agreements reached at the EU-LAC Summit in Guadalajara, Mexico.

⁴⁶ According to the Latin America Regional Programming Document 2007-2013, page 29, commitments for the URB-AL III and EUROsociAL II programmes together totalled 120 million euros, leading to the assumption that the funding committed to the EUROsociAL II programme has a budget of 70 million euros. In the Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, page 23, commitments to this program total 41.3 million euros.

The second programme covered in this priority area is URB-AL III, with an indicative budget of 50 million euros for 2008-2011. This programme seeks to promote and support processes and policies capable of generating social cohesion in the cities or other territorial entities of Latin America. The programme builds direct relationships between local communities in Europe and Latin America, through the dissemination, acquisition and implementation of best urban policy practices.

In May 2010 during the most recent European Union-Latin America and the Caribbean Summit, the European Commission launched the Latin America Investment Facility programme (LAIF), adding it to the social development and social cohesion area. LAIF seeks to promote connectivity in the countries of Latin America in the spheres of energy and transport infrastructure. A second programme objective of LAIF is to play an active role in environmental protection and provide support to climate change mitigation. It aims to promote equitable and sustainable socioeconomic development by improving social services infrastructure and supporting SMEs. The LAIF programme has a budget of 125 million euros for 2010-2013, split between 22 million euros for 2007-2010 and 103 million euros for 2010 to 2013.⁴⁷

In this same priority area of social development and social cohesion, the European Union has established a line of cooperation in policies concerning drugs and the fight against drug trafficking at the international level. The Cooperation Programme between Latin America and the European Union on Drugs Policies (COPOLAD) seeks to address this issue in the framework of the EU-LAC programme. It aims to strengthen national capacities and the design of policies on the fight against drugs in the countries of Latin America and has a budget of 6 million euros for 2007-2013.

Human resources and mutual understanding

The second priority area, human resources and mutual understanding, is a vital one for cooperation to bring the two regions together by means of student mobility and academic cooperation in many spheres so as to help build a Euro-Latin American space for education. The programmes in this area for the 2007-2013 programming exercise are Erasmus Mundus (external cooperation component) with 41.6 million euros committed, and the Alfa II programme, with 74.3 million euros.⁴⁸ Both programmes seek to support higher education institutions and foster the exchange of experience and knowledge between students and academics. Commitments for mutual understanding activities include 0.8 million euros for this area.

Economic development and trade

The third-ranking priority area is economic development and trade, which encompasses the Al-Invest IV and @LIS2 programmes with an indicative budget of 72 million euros.⁴⁹

The Al-Invest programme was established in 1994 and has just completed its fourth phase (2009-2012), which was part of the 2007-2013 programming exercise. Al-Invest IV had a budget of 50 million euros; its actions targeted three geographic areas:

- (a) MERCOSUR, Chile and the Bolivarian Republic of Venezuela;
- (b) Andean Region; and
- (c) Central America, Mexico and Cuba.

This programme seeks to contribute to regional integration and biregional trade by supporting the strengthening and internationalization of SMEs in Latin America through the sharing of experience and knowledge in the area of innovation and the establishment of business relationships with their European counterparts.

⁴⁷ Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p.23.

⁴⁸ Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p.23.

⁴⁹ Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p.23.

The @LIS2 programme seeks to narrow the digital divide throughout Latin America and promotes the use of interconnections between research networks and communities in the two regions. With a budget of 22 million euros for 2007-2013, it has three lines of action: political and regulatory dialogue, research networks and a network of regulators. ECLAC is responsible for the political and regulatory dialogue, which seeks to improve and expand information society dialogue and applications in Latin America. The programme also aims at strengthening the political, technical and social ties between the European Union and Latin America, helping to move the issue up the policy agendas of the region, channel more resources for research and development and boost the participation of civil society in public policy design.

Under the programming in the Regional Strategy Paper 2007-2013, 5 million euros were committed for cross-cutting activities on the environment, including in the area of social development and social cohesion. But the Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America noted two programmes related to the environment and climate change, with a combined 10.5 billion euros in commitments for the current programming exercise.⁵⁰

The first of these is the EURO-SOLAR programme, which was launched in 2007 on the occasion of the V EU-LAC Summit. The EURO-SOLAR programme promotes the use of renewable energies in isolated rural communities with the potential for generating electricity using new technologies. Actions under the programme also target sectors such as education and health, by promoting the development of basic services. The major beneficiary countries of this programme are Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia. Each country has a public agency responsible for implementation of the programme. EURO-SOLAR has an indicative budget of 5.2 million euros for the period.⁵¹

A second programme in the environmental area is EUROCLIMA, with an indicative budget of 5 million euros. This programme seeks to support policies for climate change mitigation and adaptation, both on the production end (reducing emissions) and on the environmental protection end.⁵²

Lastly, this priority area also includes the Latin American Network of Knowledge Centres in the Water Sector (RALCEA), with an indicative budget of 2.5 million euros. This programme targets the water sector and seeks to promote public policies based on scientific knowledge.⁵³

4. European Union commitments at the subregional level in Latin America for 2007-2013

For many years the European Union has placed special emphasis on supporting regional and subregional integration. It is one of the few multilateral donors whose cooperation objectives include support for integration processes and the provision of funding for strengthening and advancing them. Among the cooperation objectives at the subregional level is the strengthening of political dialogue and mutual understanding, trade incentives, education, new technologies and sustainable development.

The EU cooperates with three integration agencies in Latin America: SICA in Central America, the Andean Community of Nations in South America, and MERCOSUR.

Budgeted EU funding for 2007-2013 at the subregional level totals 195 million euros,⁵⁴ with 25.6% of the total allocated for MERCOSUR, 25.6% for the Andean Community and 48.7% of total subregional programming for Central America (see figure 14).

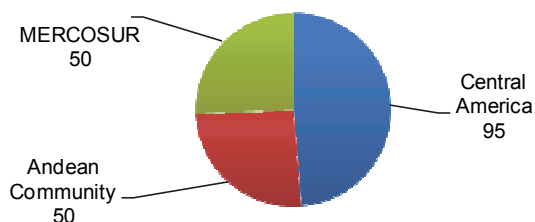
⁵⁰ This figure is provided for in the Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p. 23, adding 5 million euros to the commitments under the Regional Strategy Paper 2007-2013

⁵¹ Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p. 23.

⁵² Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, p. 23.

⁵³ This programme has funding from another financing instrument.

FIGURE 14
SUBREGIONAL PROGRAMMING COMMITMENTS 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for Central America, the Andean Community and MERCOSUR 2007-2013.

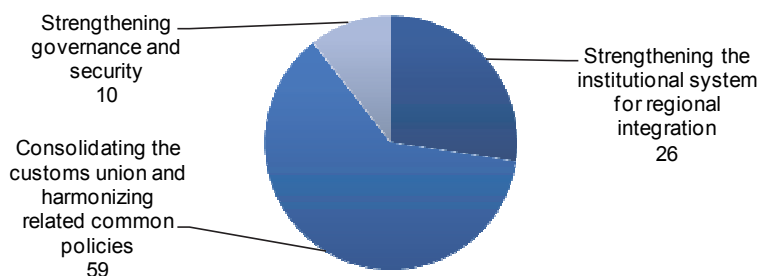
(a) Central America

European Union relations with Central America took on a higher profile in the 1980s, with the EU as a whole supporting democratization and peace processes in the region as set out in an EU-Central America Association Agreement.

EU cooperation at the subregional level in Central America has focused on building regional economic integration, promoting a customs union, lowering trade barriers and boosting the macroeconomic stability of the countries of Central America.

Through customs union consolidation and harmonization of related common policies, economic integration is the primary focus of the funding committed under EU cooperation programming in Central America. It accounts for more than 60% all activities and programmes. Strengthening the institutional system for regional integration is the second-ranking cooperation priority at the subregional level (27% of commitments), making the EU the largest donor in this area. Another issue that is high on the Central American agenda is the strengthening of governance and security, which is the third focus of cooperation at the subregional level and accounts for just over 11% of committed funding (see figure (15)).

FIGURE 15
COOPERATION AREA COMMITMENTS UNDER EU SUBREGIONAL PROGRAMMING
IN CENTRAL AMERICA 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for Central America, the Andean Community and MERCOSUR 2007-2013.

⁵⁴ In the mid-term review of subregional programming for Central America, the European Commission added 20 million euros, increasing total funding for subregional programming for 2007-2013 from 175 million euros to 195 million euros.

European Union ODA commitments for Central America for 2007-2013 total 75 million euros, which was increased by 20 million euros during the mid-term programming review to stand at 95 million euros, the highest at the subregional level.⁵⁵ The reasons for this increase were the security situation and the existence of a regional strategy on the issue, as well as the need for funding for integration to complement negotiation of the Association Agreement.

BOX 1
PRIORITY FUNDING AND AREAS 2002-2006 AND 2007-2013 IN PROGRAMMING
FOR CENTRAL AMERICA

During 2002-2006, the European Commission funded activities in Central America totaling 74.5 million euros, in the following areas:

- Support for the process of regional integration with implementation of common policies and institution building;

- Strengthening the role of civil society in the regional integration process;
- Reduction of vulnerability and improving management of the environment.

For 2007-2013, the European Commission committed 95 million euros for the following areas:

- Strengthening the institutional system for regional integration (27%)
- Consolidating the customs union and harmonisation of related common policies (62%)
- Strengthening governance and security (11).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for Central America, the Andean Community and MERCOSUR 2007-2013.

(b) Andean Community

European Union relations with the countries of the Andean Community of Nations date back to the 1970s (Andean Pact, 1969), when the Bolivarian Republic of Venezuela and Chile were still part of the subregional project. In 1993, the countries of the Andean Community of Nations signed a Framework Cooperation Agreement with the European Union (European Economic Community at the time). With the creation of the Andean Community in 1997, cooperation relations have been maintained and continue to gain momentum.

BOX 2
PRIORITY FUNDING AND AREAS 2002-2006 AND 2007-2013 IN PROGRAMMING
FOR THE ANDEAN COMMUNITY

During 2002-2006, the European Commission funded activities in the Andean Community of Nations, in the following areas:

- Disaster prevention (17%)
- Harmonization of statistical methodologies (31%)
- Trade-related technical assistance (27%)
- Involvement of civil society in the integration process (16%)
- Stopping abuse of synthetic drugs (8%)

For 2007-2013, the European Commission committed 50 million euros for the following areas:

- Regional economic integration (34%)
- Economic and social cohesion (33%)
- Drugs control (33%)

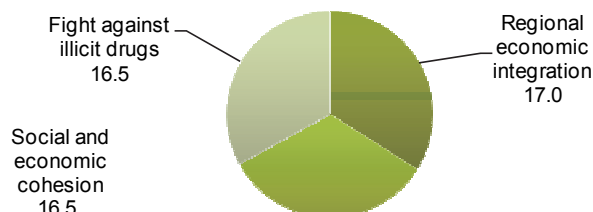
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for Central America, the Andean Community and MERCOSUR 2007-2013.

Thematic priorities in European Union programming with the Andean Community are almost equally divided into thirds: regional economic integration, at 34%; economic social cohesion, with

⁵⁵ *Mid-Term Review RSP – Central America 2007-2013 and Regional Indicative Programme 2011-2013* p. 1 and 2.

33%; and the fight against illicit drugs, with 33% of total funding for subregional programming. These three themes account for 100% of the 50 million euros that the European Union has allocated to the subregion for the 2007-2013 programming exercise (see figure 16).

FIGURE 16
COOPERATION AREA COMMITMENTS FOR EUROPEAN UNION SUBREGIONAL
PROGRAMMING IN THE ANDEAN COMMUNITY 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Document for the Andean Community 2007-2013.

(c) MERCOSUR

European Union efforts and interest in this mechanism for subregional integration date back to the creation of the South American Common Market (MERCOSUR) in the 1990s. In 1995, the two parties signed an Interregional Framework Cooperation Agreement. To date, negotiations that began in 1999 for the signing of an Association Agreement have not been concluded. At the Sixth EU-LAC Summit held in May 2010 in Madrid, as well as in the First EU-CELAC Summit in 2013, both parties announced the reopening of these negotiations.

Committed funds for EU programming with MERCOSUR for 2007-2013 amount to 50 million euros. The first priority in this programming is strengthening MERCOSUR through support for the regional integration process, both economic and social, accounting for almost two thirds of total programming (70%). The second priority is support for civil society in MERCOSUR, with 20%. The third priority is support for MERCOSUR institutions, with 10%. These two priorities account for the remaining one third of commitments (see figure 17).

BOX 3 **PRIORITY FUNDS AND AREAS 2002-2006 AND 2007-2013 IN MERCOSUR** **PROGRAMMING**

During 2002-2006, the European Commission financed activities for the following areas:

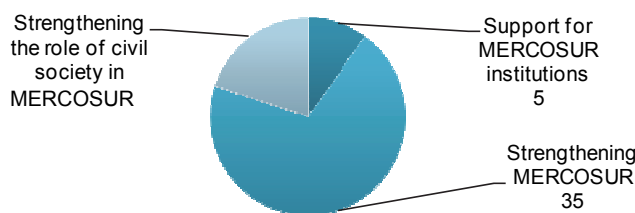
- Internal market integration and the acceleration of interregional trade flows (44%);
- Launch of MERCOSUR institutions (26%);
- Support for civil society in MERCOSUR (30%).

For 2007-2013, the Commission committed 50 million euros for the following areas:

- Support for MERCOSUR institutions (10%);
- Strengthening MERCOSUR (70%);
- Support for civil society in MERCOSUR (20%).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for MERCOSUR 2007-2013.

FIGURE 17
COOPERATION AREA COMMITMENTS FOR EUROPEAN UNION SUBREGIONAL PROGRAMMING WITH MERCOSUR 2007-2013
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Regional Programming Documents for MERCOSUR 2007-2013.

5. Funding committed by the European Union at the bilateral level in Latin America 2007-2013

Bilateral cooperation funding committed at the regional level for the 2007-2013 programming exercise amounts 1.871 million euros; this is a 51% increase over the programming funding executed for 2002-2006.

At the subregional level, the main increase in bilateral funding committed for the current multiannual programming exercise as compared with the previous period was in the Andean Community (93%), followed by MERCOSUR (43%) and Central America (36%). Countries that are not included in a group saw increases of as much as 5.4%, except for Cuba, which was not part of the 2002-2006 programming exercise (see table 9).

At the individual country level, the three largest increases of more than 100% in funding with regard to the previous programming exercise were for Colombia (186%), Paraguay (150%) and El Salvador (102%). Increases of more than 50% went to Peru (89%), the Plurinational State of Bolivia (86%), Uruguay (63%) and Panama (58%). The only countries that saw a decrease in funding for the 2002-2006 programming exercise were Brazil (5% decrease), Argentina (2% decrease) and Mexico (2% decrease).

For the 2007-2013 programming exercise, Central America as a whole accounted for 41% of total commitments at the bilateral level, the Andean Community 36%, MERCOSUR 15.5% and countries not included in a group, including Cuba, 7.3%.

At the bilateral level, with more than 200 million euros committed, the three major recipients of funds are the Plurinational State of Bolivia with 234 million euros, followed by Honduras with 223 million euros, and, thirdly, Nicaragua with 214 million euros committed. With more than 100 million euros committed are Colombia at 160 million euros, Ecuador at 137 million euros, Guatemala at 135 million euros, Peru at 132 million euros, Paraguay at 130 million euros and El Salvador at 121 million euros. This bilateral programming exercise includes Cuba (20 million euros), which did receive bilateral cooperation funding in 2002-2006. In all, bilateral programming for 2007-2013 encompasses 18 countries (see figure 18).

The bulk of bilateral funding committed for the 2007-2013 programming exercise to areas at the regional level is for trade and regional integration, which accounted for 497.6 million euros (26.6% of the total for all areas). This area is on the programme for 12 of the 18 countries of the region, with the exception of Honduras in Central America, Peru in the Andean Community, Uruguay in MERCOSUR and Chile and Cuba in countries that are not included in a group.

TABLE 9
BILATERAL FUNDING EXECUTED 2002-2006 AND COMMITTED 2007-2013
BY THE EUROPEAN UNION FOR LATIN AMERICA

Countries/Subregions	2002-2006	2007-2013	Variation
Latin America (18)	1237	1871	51
Central America	563	765	36
Costa Rica	32	34	6
El Salvador	60	121	102
Guatemala	93	135	45
Honduras	147	223	52
Nicaragua	207	214	3
Panama	24	38	58
Andean Community	344	663	93
Bolivia (Plurinational State of)	126	234	86
Colombia	56	160	186
Ecuador	92	137	49
Peru	70	132	89
MERCOSUR	201	287	43
Argentina	66	65	-2
Brazil	64	61	-5
Paraguay	52	130	150
Uruguay	19	31	63
Not included in a group	129	156	5.4
Chile ^a	34	41	21
Mexico	56	55	-2
Venezuela (Bolivarian Republic of)	39	40	3
Cuba	0	20	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of European Commission Country Strategy Papers (18 papers) 2007-2013.

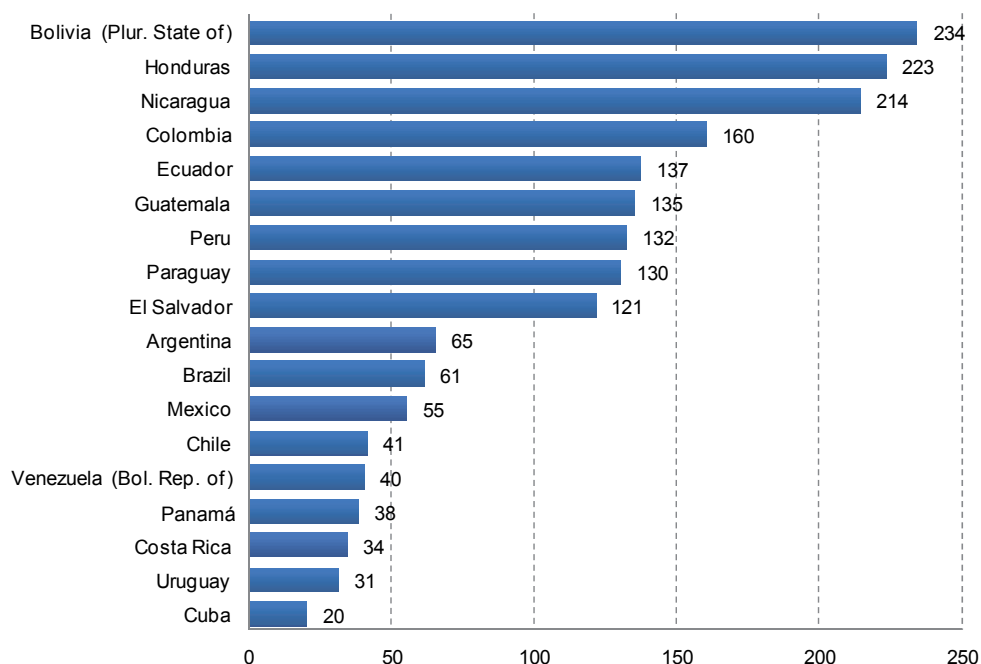
^a Funding for Chile was decreased by 15 million euros in the mid-term review, making total commitments for Chile 26 million euros instead of the initial 41 million euros.

The bulk of bilateral funding committed for the 2007-2013 programming exercise to areas at the regional level is for trade and regional integration, which accounted for 497.6 million euros (26.6% of the total for all areas). This area is on the programme for 12 of the 18 countries of the region, with the exception of Honduras in Central America, Peru in the Andean Community, Uruguay in MERCOSUR and Chile and Cuba in countries that are not included in a group.

Second in terms of committed funding is the social development and social cohesion area, with 460 million euros (24.6% of the total for all areas). This area is on the agenda in 9 of the 18 countries, with the exception of Nicaragua in Central America. Peru is the only Andean Community member country with funding in this area; Uruguay is the only one in MERCOSUR.

Third in committed funding is the area of human resources (education), at 309 million euros or 16.5% of total commitments. This area is on the programme for 7 of the 18 countries. Among the seven countries with funding for this area is Paraguay; depending on how cooperation funds are executed they might eventually be considered as part of the social cohesion area.

FIGURE 18
BILATERAL PROGRAMMING COMMITMENTS 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of European Commission Country Strategy Papers (18 papers) 2007-2013.

Ranking fifth is the area of governance, democracy and human rights; where commitments of 157.2 million euros represent 84% of the figure for all sectors combined. This area is followed by environment, with 152 million euros committed representing 8% of the total for all areas. In sixth place is the area of innovation, research and economic development, whose 20.6 million euros account for 1% of total bilateral commitments for all areas. Last, with 274.7 million euros committed, representing 14.7% bilateral commitments for all areas, come other bilateral priorities or areas. Countries with funding committed in this area include Nicaragua, Colombia, the Plurinational State of Bolivia, Argentina, Brazil and Cuba (see table 10).

Summing up, European Union priority areas of cooperation in Latin America for 2007-2013 according to the respective strategy papers are consistent with the areas defined in the Financing Instrument for Development Cooperation (DCI) in geographic programming at the global and regional levels.

For Latin America, the DCI sets five regional programming priority areas (programmes that are regional in scope):

- (a) Promote social cohesion as a shared goal and priority area of the European Community and Latin America;
- (b) Promote regional integration;
- (c) Support the strengthening of governance, public institutions and the protection of human rights,
- (d) Support the creation of a common EU-Latin America zone for higher education; and
- (e) Promote sustainable development in all its dimensions.

TABLE 10
BILATERAL FUNDING COMMITTED BY THE EUROPEAN UNION FOR LATIN AMERICA
AND CUBA BY PRIORITY, 2007-2013
(Percentage)

Countries/ Priorities	Social cohesion	Governance, human rights and democracy	Trade and regional integration	Environment and development of natural resources	Human resources	Innovation, research and economic development	Other bilateral priorities
Nicaragua		17.5	44.5		35		5
El Salvador	70		30				
Guatemala	35		65				
Costa Rica	75		25				
Panama	75		25				
Honduras	50	20		30			
Colombia		20	10				70
Bolivia (Plurinational State of)			41	25.5			33.5
Ecuador			46		54		
Peru	80	20					
Uruguay	60					40	
Argentina			35		32.9		32.1
Brazil				30			70
Paraguay			18.8		81.2		
Mexico	40		35		25		
Chile	40				40	20	
Venezuela (Bolivarian Republic of)		50	50				
Cuba				35	15		50

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Regulation (EC) No. 1905/2006 of the European Parliament and of the Council of 18 December 2006 (DCI) and European Commission Regional, Subregional and Bilateral Programming Papers 2007-2010.

In line with the above, the Latin America Regional Strategy Paper 2007-2013 identifies three priority areas for cooperation:

- (a) Social cohesion to consolidate the social fabric by, inter alia, reducing poverty, inequality and exclusion and cooperation in the fight against drugs,
- (b) Regional integration and economic cooperation, and
- (c) Human resources and mutual understanding between the European Union and Latin America.

The environment area, initially included as a cross-cutting initiative in the area of social cohesion, ended up as an area per se following the mid-term review of regional programming. As for support for strengthening governance, public institutions and the protection of human rights, the bulk of cooperation funds targeting this area are committed at the bilateral level.

For subregional programming there is a priority area common to all three programming exercises: trade and regional integration. This priority area is one of the 10 for geographic programming at the global level, and it is one of the 4 priority areas for Latin America in the Regional Strategy Paper 2007-2013. The fact that all three subregional programming exercises have an area in

common makes them more consistent: grouping the entire set of cooperation actions in the same priority area aligns them with other specific goals for each subregion.

In Central America, this priority area involves supporting the process of political economic and social integration in the context of the Association Agreement between the European Union and Central America, through strengthening the institutional system for Central American integration, consolidation of the process of regional economic integration, and strengthening regional governance and security matters. In the case of the Andean Community, the priority is regional integration, through regional economic integration, as well as economic and social cohesion and the fight against illicit drugs. In the case of MERCOSUR, integration of MERCOSUR is the main priority area, to be achieved through support for the institutionalization of MERCOSUR, support for the deepening of MERCOSUR and implementation of the future EU-MERCOSUR Association Agreement, and efforts to consolidate and enhance the participation of civil society, knowledge of the regional integration process, understanding and mutual visibility.

As for the definition of priority areas of cooperation under bilateral programming exercises, and because these areas are subject to DCI provisions at the global and regional level, the European Commission follows the same prioritization rationale described in previous programming exercises. Although they keep at least one of the priority areas established by the DCI for the region, in this case they include specific areas or priorities for some countries. Overall, there are three areas that are most frequently found throughout bilateral programming: trade and regional integration, social cohesion and human resources (education), in that order.

Total funding committed for European Commission regional, subregional and bilateral programming in Latin America for 2007-2013, funded through the DCI, has increased in all three programming exercises in comparison with 2002-2006. Total commitments for 2007-2013 amount to 2.622 billion euros –an increase of 937 million euros, which is 56% more than in 2002-2006.

Of total commitments, regional programming (programmes that are regional in scope) accounts for an indicative 556 million euros, an increase of 311 million euros over the previous programming exercise. For the three subregional programming exercises, commitments total 195 million euros,⁵⁶ 22 million euros more than for previous subregional programming. Lastly, the 18 bilateral programmes account for an indicative 1.871 billion euros, an increase of 604 million euros (47.7%) over the previous programming exercise.

Regional programming 2007-2013 (made up of programmes that are regional in scope) was designed in two phases. In the first phase, the funding committed in the area of human resources and mutual understanding, with 40% of total funding, ranked first (223 million euros). The second priority area was social development and social cohesion, with 34% of commitments; the third priority area was economic development and trade, with 25% of commitments (139 million euros). The remaining 1% is for cross-cutting actions in the area of environment (5 million euros). In the second programming phase, the Latin American Investment Facility (LAIF) programme was added and accounted for 23% of total committed funds for the new indicative multiannual programming exercise. The second change was to add 5.2 million euros for programmes in the area of environment. Both the LAIF programme and environment programmes are considered as part of social development and social cohesion in the mid-term programming exercise.

Regional programming, with commitments at the same level as for the initial programming exercise, thus saw the following changes after the mid-term review. Ranking first are the LAIF programme and increases for the environment area under social development and social cohesion (up by 43 million euros to stand at 232 million euros or 42% of total funding). Second is human resources and mutual understanding, which decreases by 14 million euros to stand at 209 million euros or 38%

⁵⁶ This total includes the 20 million euro increase for Central America under the Mid Term Review RSP – Central America 2007-2013 and Regional Indicative Programme 2011 -2013.

of total funding. Economic development and trade comes in third, decreasing by 67 million euros to stand at 72 million euros, 13% of total resources committed in programming at the regional level.

At the subregional programming level, commitments with each subregional integration counterpart break down into 50% for Central America programming, with the remaining 50% split equally between the Andean Community and MERCOSUR.

Bilateral funding committed, which rose by 51% over the previous programming exercise, saw the most significant increase in the countries of the Andean Community (93%). Commitments for the MERCOSUR countries increased by 43%; in the countries of Central America the increase was 36%.

Of total European Union bilateral funds committed for the 2007-2013 programming exercise, more than two thirds (80%) is for nine countries: Plurinational State of Bolivia, Honduras and Nicaragua (commitments in excess of 200 million euros), and Colombia, Guatemala, Ecuador, Peru, Paraguay and El Salvador (more than 100 million euros in commitments).

While ODA from the European Union is still significant for many of the countries of the region, for others ODA funding has been declining steadily and become less relevant to their development because ODA under agreements and consensuses reached by the international community is focused primarily on achievement of the Millennium Development Goals and the fight against poverty. As a result, the remaining 20% of the ODA committed by the European Commission for the region at the bilateral level is allocated to nine countries: Argentina, Brazil, Mexico, Chile, Bolivarian Republic of Venezuela, Panama, Costa Rica and Cuba, in that order.

III. European Union cooperation in Latin America, 2007-2013, from commitment to execution

A. Execution of cooperation funding in the region

1. Cooperation funding executed in Latin America 2007-2013

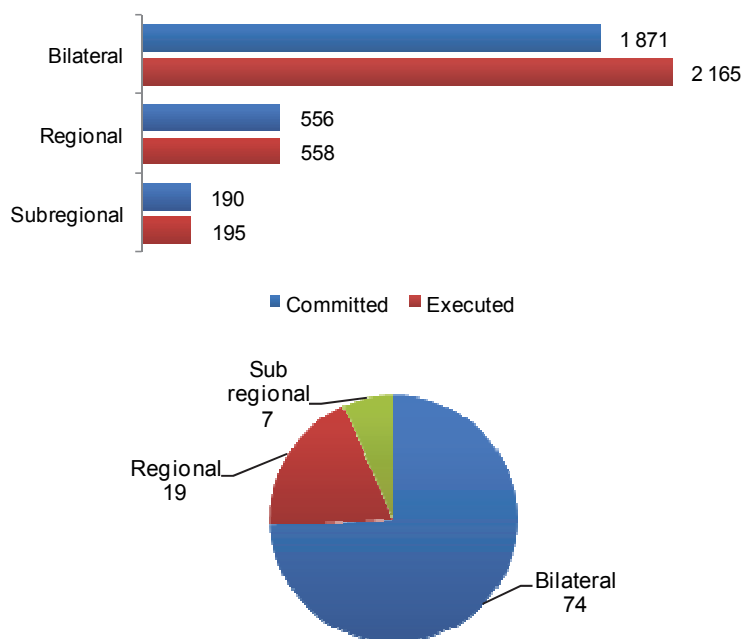
Total funds executed through May 2013 under Latin American cooperation programming for 2007-2013 under the Financing Instrument for Development Cooperation (DCI) amount to 2.920 billion euros out of a total of 2.622 billion euros committed.

Of the total funding executed in Latin America, 19% was under regional programming that executed 559 million euros out of commitments totalling 556 million euros. Subregional programming accounted for 7%, executing 195 million euros out of commitments totalling 195 million euros. The remaining 74% is funding executed under the 18 bilateral programmes, with 2.165 billion euros out of a total of 1.871 billion euros committed.⁵⁷ The largest proportion of funds, both committed and executed, is in bilateral programming, followed by regional programmes (see figures 19).

According to the information available as of May 2013, executed funding exceeds commitments by approximately 11%; however, the percentage is higher in the case of funds allocated to bilateral programmes, which reached an execution rate of 116%. This ratio of fund commitment to execution under European Union cooperation is relevant, especially during a period of lower predictability of funds for development assistance.

⁵⁷ The difference between committed and executed funds at the bilateral level is due to funding available to the countries over and above the amount provided for in DCI geographic programming. One example would be the thematic programmes under the DCI that are open to the participation of all countries at the global level.

FIGURE 19
FUNDING COMMITTED AND EXECUTED, AND THE SHARE OF FUNDING EXECUTED
IN EACH PROGRAMMING EXERCISE
(Millions of euros and percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information gathered from projects and programmes under the 2007-2013 programming exercise at offices of European Commission Delegations in Latin America, and National Cooperation Agencies of the countries.

2. Cooperation funding execution priorities and areas

For executing the funding committed under cooperation programming for Latin America for 2007-2013, the European Union established⁵⁸ five priorities in the following areas of cooperation:

- (a) Promote social cohesion;
- (b) Foster regional integration;
- (c) Support the process of strengthening governance, public institutions and the protection of human rights;
- (d) Support the creation of a common European Union-Latin America higher education zone; and
- (e) Foster sustainable development in all its dimensions.

In keeping with these priorities, the European Commission established, by means of its Regional Strategy Paper, Subregional Strategy Papers, and 18 Country Strategy Papers, areas for executing cooperation funds under the geographic programming for Latin America (regional,

⁵⁸ Under article 6 of the Financing Instrument for Development Cooperation (DCI).

subregional and bilateral). All of this funding is provided for under the geographic programming in the DCI for 2007-2013.⁵⁹

As a result, for the sole purpose of this examination, the areas considered for executing European Union cooperation funds in Latin America under the 2007-2013 programming exercise are as discussed below.

There are six *regional programming priority areas* in keeping with the priorities set in the Regional Strategy Paper 2007-2013 and its subsequent amendments:

- (a) Social development and social cohesion
 - i. Social development
- (b) Environment, climate change, water and natural disasters
 - i. Environment
- (c) Economic development and trade
 - i. Regional integration and economic cooperation
 - ii. Infrastructure (LAIF)
- (d) Human resources and mutual understanding
 - i. Higher education
 - ii. Scientific cooperation

The *subregional programming priority areas* established in the pertinent Regional Strategy Papers for Central America, the Andean Community and MERCOSUR are:

- (a) Social development and social cohesion
 - i. Social development
 - ii. Food security
 - iii. Fight against production and trafficking of illicit drugs
- (b) Environment, climate change, water and natural disasters
 - i. Environment
- (c) Economic development and trade
 - i. Regional integration and economic development
 - ii. Economic development
 - iii. Institutional cooperation
- (d) Human resources and mutual understanding
 - i. Higher education
 - ii. Scientific cooperation

The *bilateral programming priority areas* under the Development Co-operation Instrument (DCI) for the 2007-2013 programming exercise established in the Country Strategy Papers comprise five priority areas and 12 bilateral execution subareas:

- (a) Social development and social cohesion
 - i. Social development
 - ii. Rural development, territorial planning, agriculture and food security
 - iii. Fight against production and trafficking of illicit drugs

⁵⁹ See chapter II.

- (b) Environment, climate change, water and natural disasters
 - i. Environment
 - ii. Water and energy
- (c) Democracy, human rights and governance
 - iii. Governance, democracy and human rights
 - iv. Conflict prevention
- (d) Economic development and trade
 - i. Regional integration and economic cooperation
 - ii. Economic development
 - iii. Infrastructure
- (e) Human resources and mutual understanding
 - i. Higher education
 - ii. Scientific cooperation

Table 11 sets out information on all of the sectors in each of the programming documents.

TABLE 11
COOPERATION PRIORITY AREAS IN LATIN AMERICA AND CUBA, 2007-2013
PROGRAMMING EXERCISE

Regional execution (RSP)	Subregional execution	Bilateral execution (DCI)
Social development and social cohesion • Social development	Social development and social cohesion • Social development • Food security • Fight against production and trafficking of illicit drugs	Social development and social cohesion • Social development • Rural development, territorial planning, agriculture and food security • Fight against production and trafficking of illicit drugs
Environment, climate change, water and natural disasters • Environment	Environment, climate change, water and natural disasters • Environment	Environment, climate change, water and natural disasters • Environment • Water and energy • Democracy, human rights and governance • Governance, democracy and human rights • Conflict prevention
Economic development and trade • Regional integration and economic cooperation • Infrastructure (LAIF)	Economic development and trade • Regional integration and economic cooperation • Economic development • Institutional cooperation	Economic development and trade • Regional integration and economic cooperation • Economic development • Infrastructure
Human resources and mutual understanding • Higher education • Scientific cooperation	Human resources and mutual understanding • Higher education • Scientific cooperation	Human resources and mutual understanding • Higher education • Scientific cooperation

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the DCI Regulation and the Regional Strategy Paper.

3. Execution of regional programming funding (regional programmes)

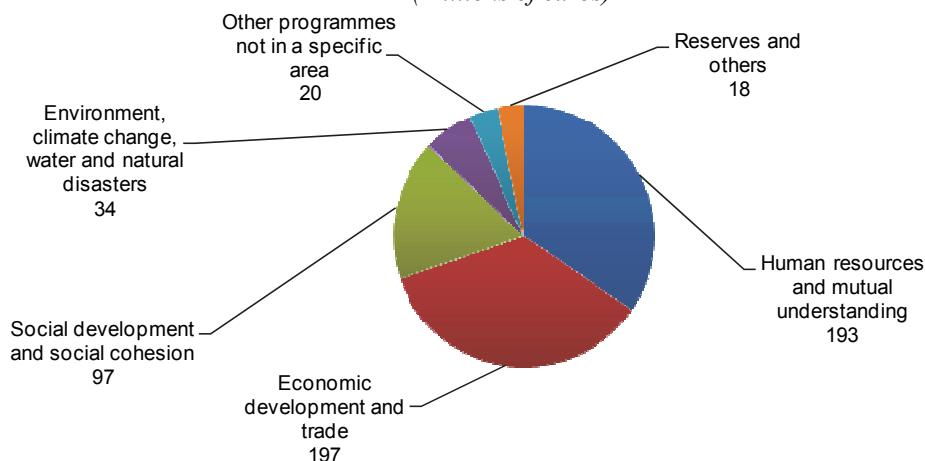
For programmes at the regional level, the European Union established, by means of the Latin America Regional Strategy Paper 2007-2013 under article 18 of the DCI, three priority areas of activity:

- (a) Social cohesion to consolidate the social fabric by, inter alia, reducing poverty, inequality and exclusion and cooperation in the fight against drugs;
- (b) Regional integration and economic cooperation; and
- (c) Human resources (higher education) and mutual European Union-Latin America understanding

During the first few years of implementing the regional programming established in the Regional Strategy Paper 2007-2013, two specific programmes were added in the area of science and technology: ALCUE NET and EULARINET,⁶⁰ in addition to a climate programme, WATERCLIMA-LAC and a programme on migration. All of them are regional in scope. Although the latter two programmes come from other financing lines, they were included because they are part of the funds the European Union allocated to regional programming.

During this period a total of 559 million euros has been executed under regional programmes out of a total of 556 million euros committed. Economic development and trade,⁶¹ with 197 million euros executed (35.2% of the regional programming), accounted for the largest portion of executed funds, followed by human resources (higher education) and mutual understanding, which accounted for 193 million euros (34.5%). Social development and social cohesion totalled 97 million euros executed (17.4%); environment, climate change, water and natural disasters accounted for 6.1% and ranked fourth with 34 million euros (see figure 20 and table 12).

FIGURE 20
EXECUTION OF REGIONAL PROGRAMMING FUNDING BY AREA, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Latin America Regional Programming Document 2007-2013.

⁶⁰ The execution period for the ALCUE-NET programme is 2013-2016; for the EULARINET programme the execution period is 2008-2013.

⁶¹ The Program for Latin American Investment Facilitation (LAIF) is included in this area with a contribution of 125 million euros as of 2013, which is 22% of the total executed at the regional programming level.

TABLE 12
EXECUTION OF REGIONAL COOPERATION FUNDING IN LATIN AMERICA AND CUBA
BY AREA AND SUBAREA, 2007-2013 PROGRAMMING EXERCISE
(Millions of euros)

Regional priority areas and subareas (RSP)	Executed	Percentage
Social development and social cohesion	97	17.4
Social development	97	
Environment, climate change, water and natural disasters	34	6.1
Environment	34	
Economic development and trade	197	35.2
Regional integration and economic cooperation	72	36.5
Infrastructure (LAIF)	125	63.5
Human rights and mutual understanding	193	34.5
Higher education	186	96.4
Scientific cooperation	7	3.6
Other programmes not included in specific areas	20	3.6
Reserves and others	18	3.2
All regional priority areas (RSP)	559	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the European Commission Latin America Regional Programming Document 2007-2013.

A more detailed examination of these areas follows.

(a) Economic development and trade

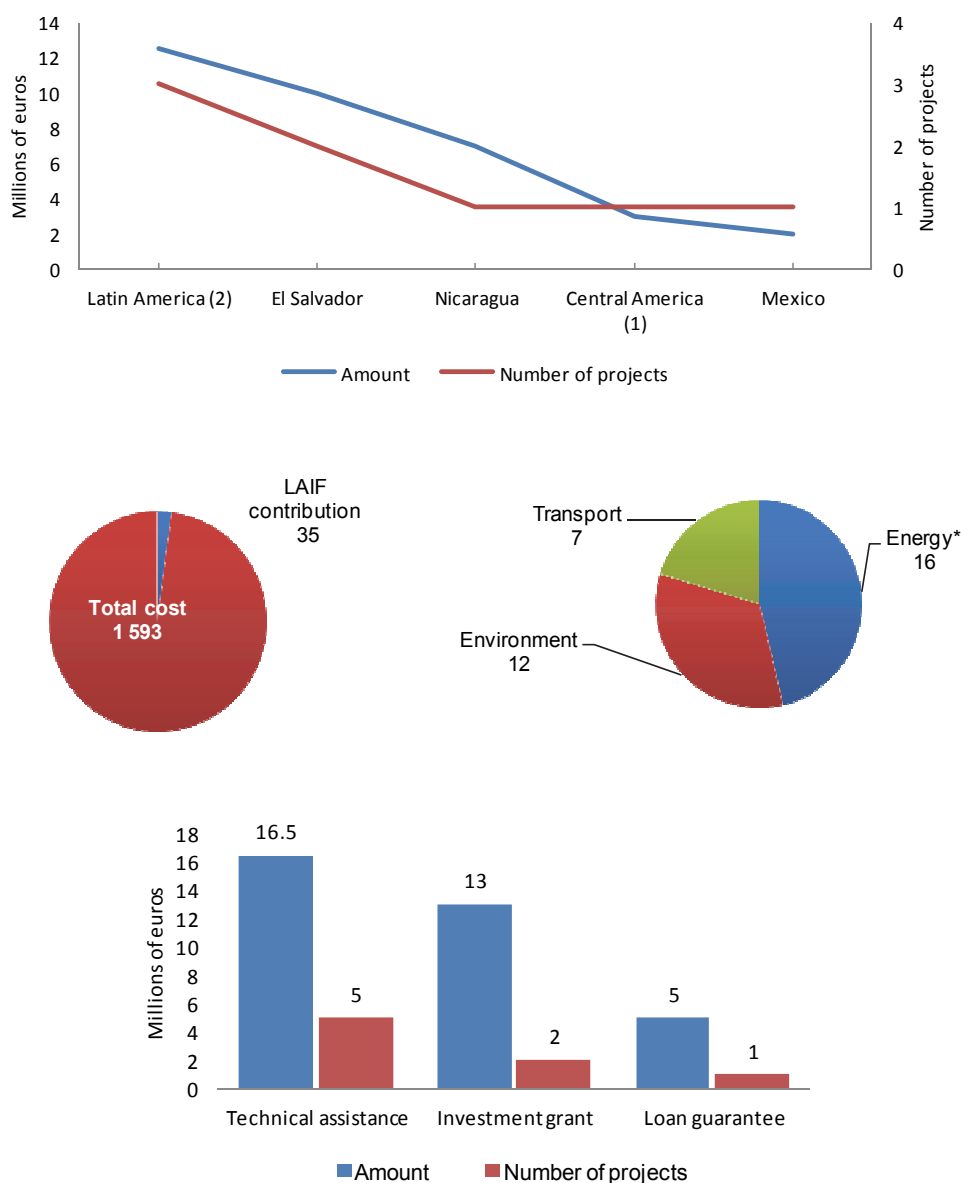
This is the first-ranking area in terms of funding; with 197 million euros its three programmes together account for 35.2%.

(i) Latin America Investment Facility (LAIF)

The LAIF programme seeks to promote connectivity in the countries of Latin America in the spheres of energy and transport infrastructure. A second objective of LAIF is to play an active role in environmental protection and provide support to climate change mitigation. It aims to promote equitable and sustainable socioeconomic development by improving social services infrastructure and supporting SMEs. The LAIF programme plans to execute 125 million euros in 2010-2013, split between 35 million euros in 2010, 40 million euros in 2011 and 50 million euros in 2012-2013.

LAIF works with other partners in the region to create the conditions for making larger and more complex investments by leveraging resources with other partners in the region: KfW, BCIE, IDB, CAF, AFD and AECID. These partnerships have made it possible to implement projects totalling 1.593 billion euros among all the partners (see figure 21). A more detailed examination of these areas follows.

FIGURE 21
LAIF PROGRAMME: NUMBER AND VOLUME OF PROJECT APPROVALS BY COUNTRY,
REGION, SECTOR AND TYPE OF SUPPORT RECEIVED, 2010-2011
(Millions of euros)



Source: LAIF-European Commission Operational Report 2010-2012 at: http://ec.europa.eu/envelopeaid/where/latinamerica/regionalcooperation/laif/documents/laif_operational_report_2010_11_web_en.pdf.

* Includes a project executed by the private sector with a contribution of 3 million of euros from LAIF.

(1) Subregional project, energy sector

(2) Regional project

As for the execution of funding by the European Investment Bank (EIB), the available information covers only the first biennium (2010 -2011) of programme operations. Eight projects were approved during this period: four national ones, a subregional one (Central America) and three projects that were regional in scope, for a total of 35 million euros with the European Union as counterpart.

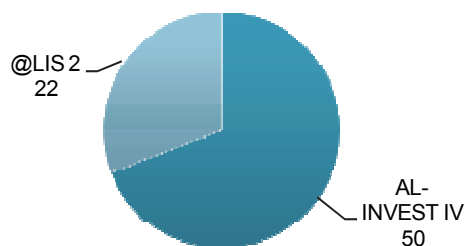
The eight approved projects cover three priority areas, the key among these being energy with 46% (16 million euros) of total funding and four projects approved, El Salvador (1) and Nicaragua (2) and a Central American programme targeting SMEs and involving the private sector. The second-ranking area is environment, at 33% (12 million euros) of total funding and three projects approved, one in Mexico and two regional programmes. In third place is the transport sector, 20% (7 million euros) and two projects approved, El Salvador and a regional programme.

Support provided by the LAIF programme has been distributed in the following manner: technical assistance for five projects in the amount of 16.5 million euros; investment grants for two projects for a total of 13 million euros; and loan guarantees for a project in the amount of 5 million euros.

Regional integration and economic cooperation

The two programmes AL-INVEST and @LIS2 come under the subarea of regional integration and economic cooperation. They account for a total of 72 million euros and 36.5% of the economic development and trade area (see figure 22).

FIGURE 22
PRIORITY SUPPORT FOR REGIONAL INTEGRATION. REGIONAL FUNDS
OF THE EUROPEAN UNION IN LATIN AMERICA 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(ii) @LIS2 programme

Three projects come under the @LIS2 programme in 2007-2013, for a total contribution of 22 million euros. The first project is for inclusive political dialogue and the sharing of experiences, coordinated by ECLAC, with a contribution of 9 million euros from the European Union and 3 million euros in non-European contributions. The second project is for extending and strengthening the redCLARA network as an infrastructure for collaborative research and support to development, coordinated by Uruguay and Mexico, with support from the European Union in the amount of 12 million euros and a 60 million euro non-EU contribution. The third project is for consolidation of the network of telecommunications regulators of Latin America, coordinated by Colombia and with a budget of 1 million euros contributed by the European Union and 1.3 million euros from a non-European counterpart (see table 13).

TABLE 13
@LIS PROJECT PROGRAMMES 2007-2013
(Millions of euros)

Project	Lead	Country	EU contribution	Non-EU contribution
Inclusive political dialogue and sharing of experiences	ECLAC	ECLAC/Chile	9.0	3.0
Extending and strengthening RedCLARA as an infrastructure for collaborative research and support to development	Latin American Cooperation of Advanced Networks (CLARA)	Uruguay/Mexico	12.0	60.0
Consolidation of the network of telecommunications regulators of Latin America	Association of REGULATORS (Administrator of the Latin American Forum of Telecommunications Regulators)	Colombia	1.0	1.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(i) *AL-INVEST III programme*

AL-INVEST III 2007-2013 had a budget of 50 million euros, executed through three geographic networks. The first network covers Mexico, Central America and Cuba; its project for the internationalization of SMEs from Central America, Mexico and Cuba as an engine of economic development had a budget of 17.5 million euros and 4.4 million euros from a non-European counterpart. The second network, which comprises the Plurinational State of Bolivia, Ecuador, Peru and Colombia, has the project for institutional co-ordination for the internationalization of SMEs from the Andean Community with a budget of 13.8 million euros and 3.4 million euros in counterparty funds. The third geographic network covers Chile, the Bolivarian Republic of Venezuela and MERCOSUR under the project for internationalization and competitiveness of SMEs in MERCOSUR, Chile and the Bolivarian Republic of Venezuela for a sustainable development, with a budget of 18.8 million euros and 4.7 million euros from a counterparty (see table 14).

TABLE 14
AL-INVEST PROGRAMME PROJECTS, 2007-2013
(Millions of euros)

Project	Participants	EU contribution	Non-EU contribution
The internationalization of SMEs from Central America, Mexico and Cuba as an engine of economic development	Mexico, Cuba and Central America	17.5	4.4
Model for institutional co-ordination for the internationalization of SMEs from the Andean Community	Bolivia (Plurinational State of), Colombia, Ecuador and Peru	13.8	3.4
Internationalization and competitiveness of SMEs in MERCOSUR, Chile and Venezuela for a sustainable development	Chile, Venezuela Bolivarian Republic of) and MERCOSUR	18.8	4.7

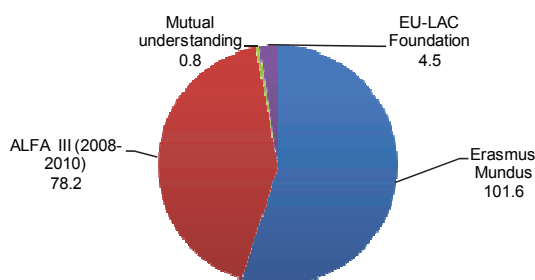
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(b) Human resources and mutual understanding

The second area, with funds executed totalling 193 million euros (34.5% of the total for regional programming), is *human resources and mutual understanding*. The assistance provided by the European Union focused on two programmes, both of which are of great importance: Erasmus Mundus (external window) and ALFA III. For the former, support focused on granting scholarships to students from the region to enhance their professional expertise with master's and doctoral studies. Instead of focusing on students, the ALFA III program targets the development of networks of universities involving academics from Latin America and Cuba, as well as from European Union member countries.

These programmes account for 97% of the funds allocated to this priority area. They are complemented by support for the European Union-Latin America and Caribbean Foundation and actions related to mutual understanding. This latter area comprises a single project: the OBREAL Observatory (see figure 23).

FIGURE 23
PRIORITY INVESTING IN PEOPLE AND MUTUAL UNDERSTANDING. EUROPEAN UNION
REGIONAL FUNDS IN LATIN AMERICA, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(i) *ERASMUS MUNDUS* programme (external cooperation window)

Funding allocated to the ERASMUS MUNDUS programme (external cooperation window) totals 102 million euros and accounts for 55% of the funding executed in this area. It was launched in December 2008, and its first selection of fellows took place in 2009. Since then, and up to and including 2013-2014, Erasmus Mundus has provided a total of 3,816 scholarships for higher education and professional studies in all of the countries of the world. Of this total, 28% (1,050 scholarships) went to students from Latin America and the Caribbean (see table 15).

The breakdown of the type of scholarship awards, both in the region and the world, shows a greater incidence of studies of shorter duration (master's degrees and postgraduate programmes), accounting for just over 90%, with 952 scholarships distributed almost equally between men and women. This balance between men and women is a noteworthy strong point.

Doctoral scholarships make up 9.3% of the total educational assistance granted to nationals of countries of Latin America and the Caribbean (98 scholarships). Recipient students come from 18 Latin American countries, including Cuba. Of this total, 51 scholarships were for women and 47 were for men (see table 15).

TABLE 15
ERASMUS MUNDUS PROGRAMME (EXTERNAL COOPERATION WINDOW) 2009-2013,
TOTAL SCHOLARSHIPS GRANTED BY SEX
(Number of scholarships and percentage of total)

Type of scholarship	Women	Men	Total	Women/Men
I. Doctoral				
Latin America and the Caribbean	51	47	98	1.1
World	169	236	405	0.7
Percentage Latin America/World	30	20	24	
II. Masters' and postgraduate				
Latin America and the Caribbean	468	484	952	1.0
World	1529	1882	3411	0.8
Percentage Latin America/World	31	26	28	
III. All programmes (I+II)				
Latin America and the Caribbean	519	531	1050	1.0
World	1698	2118	3816	0.8
Percentage Latin America/World	31	25	28	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the ERASMUS MUNDUS programme 2009-2013.

As for the breakdown of doctoral scholarships by country, Brazil is in first place with 27 scholarships (28%), followed by Mexico with 24 scholarships (25%). Together, the two countries account for more than 50% of the total number of scholarships awarded. Colombia ranks third, with 17 scholarships (17%), followed by Argentina with eight scholarships (8%). The remaining nine countries have less than five scholarships each. The group of countries with no recipients of scholarships in the reporting period include El Salvador, Nicaragua, Panama, Paraguay and Peru.

The fact that a higher percentage of aid goes to countries with a larger land area is directly related to population size. Brazil, Mexico, Colombia and Argentina account for just over 70% of the population of Latin America (see the first column in table 16).

Colombia, which is in the top four in terms of number of scholarships, is the only country with a gender balance. In Mexico, there are twice as many male fellows as female scholarship recipients (see table 16).

In 2009-2013, the Erasmus Mundus programme granted 952 master's scholarships to students from Latin America, with 468 of the total going to women and 484 to men.

On a country level, Mexico and Brazil accounted for approximately half of the total number of scholarships awarded during 2007-2013: 262 scholarships in Mexico and 221 in Brazil. Colombia ranks third with 134 scholarships, followed by Argentina at 69 scholarships. With the exception of Mexico, the four countries that account for the largest number of master's scholarships (72%) are fairly balanced in terms of distribution by sex, especially Argentina and Colombia.

The number of scholarships awarded for master's degree programmes was larger than for doctoral studies. One out of every ten postgraduate students from Latin America received a doctoral fellowship; the ratio was higher in Guatemala and Uruguay (see table 16).

TABLE 16
TOTAL ERASMUS MUNDUS PROGRAMME DOCTORAL SCHOLARSHIPS 2009-2013 BY SEX
(Number of scholarships and percentage of total)

Country	Population (percentage of total)	Women	Men	Total	Percentage of total
Argentina	7.1	6	2	8	8
Bolivia (Plurinational State of)	1.9	0	1	1	1
Brazil	34.5	16	11	27	28
Chile	2.9	1	3	4	4
Colombia	8.3	8	9	17	17
Costa Rica	0.9	1	1	2	2
Cuba	1.9	2	1	3	3
Ecuador	2.6	1	1	2	2
El Salvador	1.0	0	0	0	0
Guatemala	2.6	1	1	2	2
Honduras	1.4	1	0	1	1
Mexico	21.0	8	16	24	24
Nicaragua	1.0	0	0	0	0
Panama	0.7	0	0	0	0
Paraguay	1.2	0	0	0	0
Peru	5.2	0	0	0	0
Uruguay	0.5	3	1	4	4
Venezuela (Bolivarian Republic of)	5.2	3	0	3	3
Latin America	577	51	47	98	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the ERASMUS MUNDUS programme 2009-2013, and information from the World Bank on the population of each country (2013) in millions of persons.

TABLE 17
TOTAL ERASMUS MUNDUS PROGRAMME MASTER'S SCHOLARSHIPS 2009-2013 BY SEX
(Number of scholarships and percentage of total)

Country	Population (percentage of total)	Women	Men	Total	Percentage of total
Argentina	7.1	34	35	69	7
Bolivia (Plurinational State of)	1.9	8	8	16	2
Brazil	34.5	119	102	221	23
Chile	2.9	18	21	39	4
Colombia	8.3	68	66	134	14
Costa Rica	0.9	12	10	22	2
Cuba	1.9	13	18	31	3
Ecuador	2.6	25	19	44	5
El Salvador	1.0	3	5	8	1
Guatemala	2.6	1	4	5	1
Honduras	1.4	3	3	6	1
Mexico	21.0	112	150	262	28
Nicaragua	1.0	8	4	12	1
Panama	0.7	1	2	3	0
Paraguay	1.2	3	2	5	1
Peru	5.2	18	10	28	3
Uruguay	0.5	4	5	9	1
Venezuela (Bolivarian Republic of)	5.2	18	20	38	4
Latin America	577	468	484	952	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the ERASMUS MUNDUS programme 2009-2013 and information from the World Bank on the population of each country (2013).

Of all the countries of the region, the distribution of scholarships between men and women is biased towards men in Mexico, El Salvador, Guatemala and Cuba. Mexico is striking because of the number of recipients involved; the proportion going to men is in excess of 60% (see table 17).

(ii) *ALFA III programme*

The ALFA III programme (2008-2010), with 78 million euros in execution representing 42% of the total in this priority area, has allocated funds in three calls for proposals. The first came to 19 million euros and 14 projects approved; the second totalled 30 million euros and 19 projects approved, and the third came to 24 million euros with 19 projects approved. All told, the three calls for proposals allocated 73 million euros⁶² and a total of 52 projects. All the countries of the region (17 + Cuba) participated in the second and third calls; 16 Latin American countries, including Cuba, participated in the first call. Each approved project involves a network of participating universities from different countries in the two regions. More than one academic institution from any given country can participate in a project (see table 18).

TABLE 18
ALFA III PROGRAMME CALLS FOR PROPOSALS 2008-2010

Calls	Participating countries	Coordinating country	Projects approved	EU funding (<i>millions of euros</i>)
I	Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Colombia, Peru, Bolivia (Plurinational State of), Venezuela (Bolivarian Republic of), Paraguay, Uruguay, Brazil, Argentina, Chile and Cuba	Mexico (1) and Chile (1)	14	19
II	Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Colombia, Ecuador, Peru, Bolivia (Plurinational State of), Venezuela (Bolivarian Republic of), Paraguay, Uruguay, Brazil, Argentina, Chile and Cuba	Brazil (1) and Colombia (3)	19	30
III	Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Colombia, Ecuador, Peru, Bolivia (Plurinational State of), Venezuela (Bolivarian Republic of), Paraguay, Uruguay, Brazil, Argentina, Chile and Cuba	Argentina (1) and Chile (2)	19	24
Total			52	73

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the ALFA III programme 2009-2013 (1).

In regard to coordination of projects, in the first call two institutions from the countries of the region were charged with this responsibility (Mexico and Chile). In the second call there were four entities from the region, one from Brazil and three from Colombia. In the third call, there were three coordinating institutions, one from Argentina and two from Chile.

Of the bids submitted by institutions in each country for inclusion in each project, some 130 were approved per call. The average number of bids submitted by national institutions was 179. The second call was the highest, with 309 bids; the largest budget was 30 million euros. With regard to the acceptance of the bids from institutions by country, the second call saw the largest number of approvals: 148 (see table 19).

⁶² The 5 million euro difference between total funds allocated in the three calls is due costs associated with programme execution.

TABLE 19
BIDS SUBMITTED AND APPROVED BY COUNTRY, THREE ALFA III CALLS FOR PROPOSALS, 2008-2010

Country	Call I		Call II		Call III	
	Bids		Bids		Bids	
	Submitted	Accepted	Submitted	Accepted	Submitted	Accepted
Total	107	119	309	148	120	133
Argentina	13	13	38	11	10	9
Bolivia (Plurinational State of)	9	8	20	11	10	11
Brazil	10	8	27	12	11	10
Chile	9	9	28	12	7	7
Colombia	11	9	29	9	12	14
Costa Rica	5	9	12	9	6	6
Cuba	2	3	9	6	4	4
Ecuador	4	5	19	8	8	10
El Salvador	3	4	13	9	4	5
Guatemala	3	4	8	6	4	7
Honduras	3	4	7	6	3	2
Mexico	11	10	25	6	11	9
Nicaragua	3	4	14	10	3	3
Panama	3	4	8	5	5	5
Paraguay	6	5	13	8	5	7
Peru	7	11	18	8	9	13
Uruguay	4	6	8	7	4	6
Venezuela (Bolivarian Republic of)	1	3	13	5	4	5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the ALFA III programme 2009-2013.

(iii) EU-LAC Foundation

Another component of biregional cooperation in the area of *human resources and mutual understanding* is the EU-LAC Foundation, which was proposed by the countries of the two regions during the Madrid Summit in 2010, with 5 million euros in funding contributed by the EU representing 2% of this priority area. In the Summit Declaration, article 34 concerning the creation of the foundation reads “Further to the initiative taken at the Lima Summit, we have decided to create an EU-LAC Foundation (...) This Foundation is conceived as a useful tool for strengthening our bi-regional partnership and a means of triggering debate on common strategies and actions as well as enhancing its visibility.”⁶³

The launch of the EU-LAC Foundation in 2012 is a big step in the institutionalization of the biregional strategic partnership created at the Rio de Janeiro Summit in 1999. The main mission of the EU-LAC Foundation is to boost and strengthen relations and mutual understanding between the two regions. Its actions are linked to the building of an interregional network through efforts such as the promotion of thematic networks and biregional interaction between civil society and governments to promote the participation of society by optimizing political dialogue between the two regions.

During the past year, the newly created EU-LAC has carried out a wide range of activities focused on promoting intergovernmental linkages with business, academic and social sectors and, in a broader sense, with civil society in both regions. In Chile in January 2013 the EU-LAC Foundation played a leading role at the summits surrounding the first EU-CELAC Summit of Heads of States and

⁶³ Madrid Declaration. 2010. “Towards a new stage in the biregional partnership: innovation and technology for sustainable development and social inclusion” Council of the European Union.

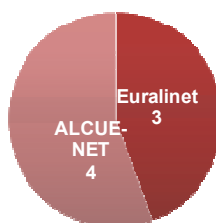
Government. The Foundation highlighted its activities in the First Academic Summit and the Fourth EU-CELAC Business Summit.

The EU-LAC Foundation works closely with other specialized agencies in Euro-Latin American relations. The Global Foundation for Democracy and Development promoted by Leonel Fernández in the Dominican Republic is playing a key role regarding the issue of climate change and adaptation to climate change in the Caribbean. Another institution is the Institut des Amériques, based in Paris, which is a key player in biregional intellectual exchanges on the dynamics of regional integration in the context of globalization. Italy's Lombardy region has been a leader in the field of partnership among small and medium-sized enterprises, with a special focus on innovation, research, and technology transfer. And the EU-LAC Foundation has a strategic partner in the United Nations Economic Commission for Latin America and the Caribbean, which is playing a leadership role in the area of investment, employment and income distribution.

Scientific cooperation

This area includes *scientific cooperation*, encompassing two programmes for a total of 7 million euros. They are ALCUE-NET, which accounts for 56% of this area, with 4 million euros, and EURALINET, which accounts for 44% of the funding for the sector, at 3 million euros⁶⁴ (see figure 24).

FIGURE 24
PRIORITY SCIENCE AND TECHNOLOGY. REGIONAL FUNDS OF THE EUROPEAN UNION
IN LATIN AMERICA 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(c) Social development and social cohesion

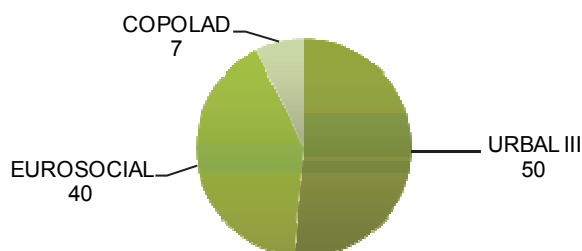
The third area of concentration of funds executed is social development and social cohesion, with 97 million euros, or 17.4% of the total for regional programming. This area includes the programmes EUROSOCIAL and URB-AL III, with shares of 52% and 41%, respectively, of total disbursements in the area (see figure 25).

(i) URB-AL III programme

The URB-AL III programme, with a budget of 50 million euros for 2008-2011, seeks to promote and support processes and policies capable of generating social cohesion the cities or other territorial entities of Latin America. It is charged with building direct relationships between local communities in Europe and Latin America, through the dissemination, acquisition and implementation of best practices in the area of urban policy. It was launched through networks open to the 17 countries of Latin America plus Cuba, as well as all of the countries of the European Union. Each network was coordinated by a local entity from one of the countries in the two regions.

⁶⁴ Madrid Declaration. 2010. "Towards a new stage in the biregional partnership: innovation and technology for of sustainable development and social inclusion" Council of the European Union.

FIGURE 25
PRIORITY SOCIAL DEVELOPMENT AND SOCIAL COHESION. REGIONAL FUNDS
OF THE EUROPEAN UNION IN LATIN AMERICA 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

Of the 21 projects carried out, the bulk of the funding was allocated to the area of governance (see figures 29 and 30). This includes six projects that received a contribution of 17 million euros, slightly more than one third of the total for the programme. The most relevant project involved creating the Orientation and Coordination Office (OCO) of the URB-AL III programme, coordinated by the Barcelona Provincial Council. The initiative brought together 17 countries. Projects in this area, in addition to coordination, seek the integration of cities, innovation at the intermediate government level (municipalities) and the prevention of urban violence, among other objectives.

Second in terms of allocated funding are seven projects related to social cohesion, with 31% of the total, an EU contribution of 16 million euros. The approved initiatives are related to sustainable tourism development, social integration, promotion of socioeconomic development in protected areas, development of diversity and strengthening social cohesion by building supply chains. Notable among the projects approved is one for MERCOSUR countries –social cohesion through stronger supply chains: development of permanent methods of collective action in regional systems in MERCOSUR countries (COCAP), which focused on three regions in Argentina, Brazil and Uruguay and was coordinated by the Italian region of Veneto. Also notable in this area is the very active participation of other Italian regions in coordination efforts (Province of Frosinone, Comune di Pigna and Tuscany).

Third among local development projects (with five networks and a contribution of 11 million euros from the EU) involve migration, redevelopment of public spaces in neighbouring cities and integrated land management. The latter, together with the comprehensive urban development project, both with 5.7% of the total URB-AL III programme, are the most noteworthy in this area.

In the area of environment, there are two projects with contributions from the programme totalling nearly 4 million euros; they involve trash and waste management. These initiatives include waste recovery and citizen awareness on the one hand, and, on the other, promotion of social enterprises and eco management of urban waste. Among the participants in waste control initiatives are the city of Cuenca in Ecuador, Arica in Chile, General Pico and Tres de Febrero in Argentina and Santiago del Surco in Peru. The countries participating in the RESSOC (Social Enterprise and Eco Waste Management) are El Salvador and Nicaragua in Central America, and Peru and Uruguay in South America. The institutions coordinating these networks were the Municipality of Arezzo in the former, and the Association of Municipalities of the Barcelona area, in the latter.

Lastly, a network in the economic development area, PACEF (Pact for Women's Training and Employment), coordinated by Italy's Sicilian Region, involves the Plurinational State of Bolivia, Argentina and Paraguay. This project had 2 million euros in funding, which is 4% of the total for the URB-AL III programme.

Among the countries and regions participating in the 21 networks is a large contingent of local entities, ranging from small towns to associations and commonwealths of municipalities, as well as provinces and regions. The information available shows that, among the participants from Latin America and Cuba, entities from the Plurinational State of Bolivia were very active in the networks formed (12 in total), followed by Argentina, Guatemala and Peru, with 10 institutions in each case (see table 20).

TABLE 20
LATIN AMERICA AND CUBA: COUNTRIES AND REGIONS PARTICIPATING
IN THE URB-AL III PROGRAMME

Country	Projects in which it is participating	Regions / Municipalities/ Provinces / Commonwealths of municipalities
Bolivia (Plurinational State of)	12	Provincia de Pacajes (Mancomunidad de La Paz), 9 municipalities of the Comunidad de Paceno (Apolo, Tipuani, Mapiri, Guanay, Teoponte, San Buenaventura, Ixiamas and Tacacoma), Municipalidad de Curahuara de Carangas (Oruro), Municipalidad de La Paz
Argentina	10	General Pico, Tres de Febrero, Provincia de Jujuy, Valle de Punilla, Provincia de San Juan, Provincia de Buenos Aires, Municipalidad del General Pueyrredon, Ciudad de San Miguel de Tucumán and Área Metropolitana de Tucumán, Municipalidad de Rosario (AMeT), Gran San Miguel de Tucumán (GSMT), Municipalidad de Santa Fé
Guatemala	10	La Antigua, Municipalidad de Puerto Barrios, Comunidad de Huista, and 9 municipalities of the northeast and Departamento de Huehuetenango
Peru	10	Santiago de Surco, Municipalidad Provincial de Callao, municipalities of El Callao, Ventanilla, Carmen de Legua and la Punta, Mancomunidad de Municipios de Gran Tierra de los Lipez, Región Departamental de Tarata, Región de Loreto
Brazil	8	Estado do Rio Grande do Sul, Municipio de Santana do Livramento, Alegrete, Rosario do Sul, Quari, Estado de Paraná, Municipalidad de Ponta Pora, Región de Pernambuco and Recife
El Salvador	8	Área Metropolitana de San Salvador, Municipio de San Salvador, Ayutuxtepeque, Cuscatancingo and Mejicanos, Municipalidad de Santa Tecla, Ciudad de Nejapa, Municipalidad de San Salvador
Nicaragua	8	Municipio de Managua, León, Municipalidad de Tuma, Municipalidad de Peñas Blancas del Norte, Rancho Grande, Waslala, El Cua and San José de Bocay
Uruguay	4	Municipio de Montevideo, Municipalidad de Paysandú, Municipalidad de Montevideo, Intendencia Municipal de Montevideo
Ecuador	3	Cuenca, Municipalidad de Quito and Pimampiro
Chile	2	Arica and Viña del Mar
Mexico	2	Gobierno del Estado de Michoacán de Ocampo, Comunidad Gabriel Zamora, Nuevo Trecho, Música and Parácuaro, Ciudad de Valparaíso (Provincia de Zacateca)
Colombia	1	Gobernación de Antioquia
Cuba	1	Havana
Honduras	1	Municipalidad de Puerto Cortes, Tela and Omoa

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

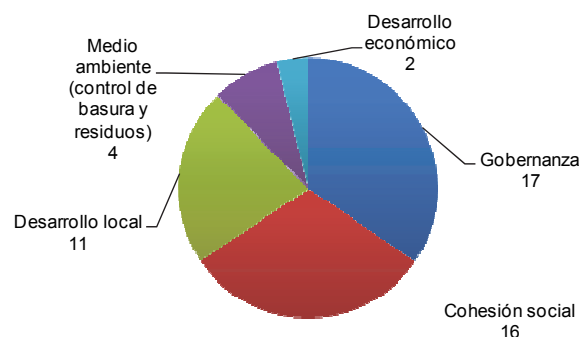
The European countries that have been most involved in building URB-AL Networks are Italy, Spain and France. Some regions and municipalities in these countries have been quite active in creating networks, so much so that they have become project management coordinators. Italy and Spain together account for more than two thirds of the initiatives (10 participants each); France has four. The Netherlands, Portugal, Germany and Belgium, which are part of the programme, each have one initiative (see table 21).

TABLE 21
EUROPEAN UNION: COUNTRIES AND REGIONS PARTICIPATING
IN THE URB-AL III PROGRAMME

Country	Projects in which it is participating	Regions / Municipalities/ Provinces / Commonwealths of municipalities
Italy	10	Provincia di Frosinone, Provincia di Bolzano, Regione del Veneto, Emilia-Romagna Region, Marche Region, Rome, Comune de Bergamo, Comune di Arezzo, Comune di Pigna, Tuscany Region, Sicily Region
Spain	10	Mancomunidad de Municipios del área Metropolitana de Barcelona, Mancomunitat de la Ribera Alta in Valencia Region, Municipalidad de Alcorcón, Municipalidad de Málaga, Municipalidad de Bilbao and Municipalidad de Santa Cruz de Tenerife, Ayuntamiento de Irún Guipúzcoa, Diputación de Barcelona, Ayuntamiento de L'Hospitalet de Llobregat, Catalonia
France	4	Lille Métropole, Municipality of Toulouse, Municipality of Saint Denis, Département of Hautes-Pyrénées
Netherlands	1	Kadaster
Portugal	1	São João da Madeira (Porto)
Germany	1	City of Stuttgart
Belgium	1	Brussels

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

FIGURE 26
MAIN URB-AL III PROGRAMME PROJECTS BY AREA
(Percentage)

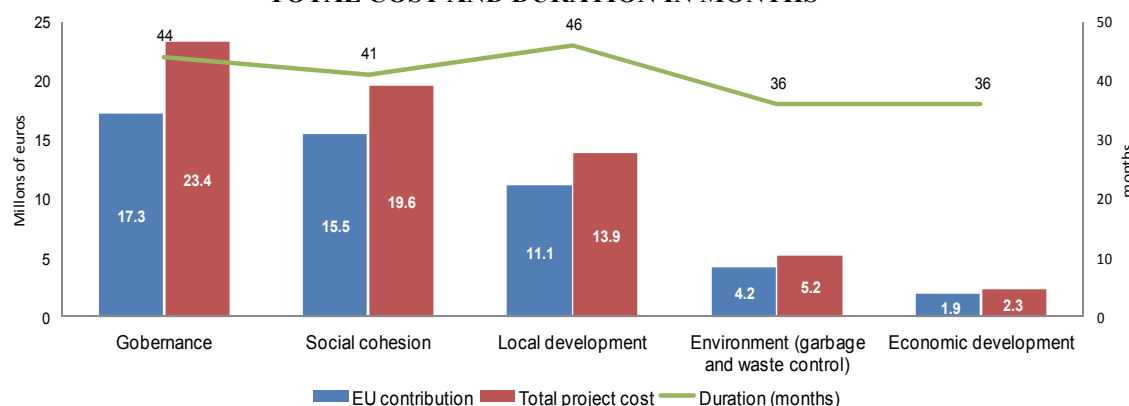


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

The URB-AL III programme places a premium on exchanging experiences, territories or urban spaces, good management practices, governance, and social cohesion with equality. It has become the only space for biregional cooperation among local organizations and institutions.

There is no information available on the execution of funding under the EUROsociAL programme.

FIGURE 27
MAIN URB-AL III PROGRAMME PROJECTS: EU CONTRIBUTION,
TOTAL COST AND DURATION IN MONTHS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

(d) Environment

The area ranking fourth in terms of share of funding executed is environment, at 34 million euros, or 6.1% of the total for regional programming. There are three programmes in this area: EUROCLIMA, RALCEA and EURO-SOLAR.

(i) EURO-SOLAR programme

The EURO-SOLAR programme is run through public entities, ministries and technical secretariats; its funding under execution totals 27 million euros. The indicative budget for the programme was originally set at 5 million euros.⁶⁵ The participant countries are El Salvador, Guatemala, Honduras and Nicaragua in Central America; Peru, Plurinational State of Bolivia, Ecuador, and Paraguay in the Andean Community; and MERCOSUR (see table 22).

The EUROCLIMA programme has a budget in execution of 15 million euros; the RALCEA programme has 2 million euros.⁶⁶

TABLE 22
EURO-SOLAR PROGRAMME PROJECTS 2007-2013
(Millions of euros)

Lead	Beneficiary country	EU contribution	Non-EU contribution
Ministry of Education	El Salvador	2.2	0.5
Ministry of Energy and Mines through the Directorate General for Energy	Guatemala	5.3	1.4
Technical Secretariat for Planning and External Cooperation	Honduras	2.8	0.8
Ministry of Energy and Mines	Nicaragua	1.8	0.6
Ministry of Hydrocarbons and Energy	Bolivia (Plurinational State of)	2.8	0.7
Ministry of Electricity and Renewable Energy	Ecuador	3.8	1.0

⁶⁵ Initially, 15 million euros were planned for the EUROCLIMA programme, which ended up executing 5 million euros; the EURO-SOLAR programme had 5 million euros and ended up executing nearly 27 million euros.

⁶⁶ There is no more relevant information available on these two programmes.

Table 22 (concluded)

Lead	Beneficiary country	EU contribution	Non-EU contribution
Ministry of Public Works and Communications through the Vice Ministry of Mines and Energy	Paraguay	2.1	0.5
Ministry of Energy and Mines through the Directorate General of Rural Electrification	Peru	6.1	1.5

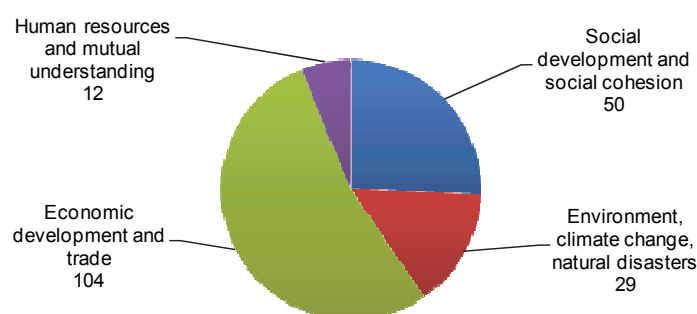
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid.

4. Funding executed under European Union subregional programming for Latin America 2007-2013

Funding executed under subregional programmes in Central America, the Andean Community and MERCOSUR amounts to 195 million euros. The main execution areas are economic development and trade, with 104 million euros; social development and social cohesion, at 50 million euros, and environment, climate change, water and natural disasters, with 29 million euros (see table 23 and figure 28).

Besides these three areas that are common to two or three of the programming exercises, there are others included in just one. Such is the case with scientific cooperation in Central America, and institutional cooperation, economic development and the fight against production and trafficking of illicit drugs in the Andean Community. In the case of MERCOSUR the additional area is human resources and mutual understanding (higher education).

FIGURE 28
EXECUTION AREAS FOR SUBREGIONAL COOPERATION 2007-2013, INCLUDING AREAS UNDER THE THREE PROGRAMMING EXERCISES
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region.

TABLE 23
EXECUTION AREAS AND SUBAREAS FOR SUBREGIONAL COOPERATION IN LATIN
AMERICA AND CUBA, 2007-2013 PROGRAMMING EXERCISE
(Millions of euros)

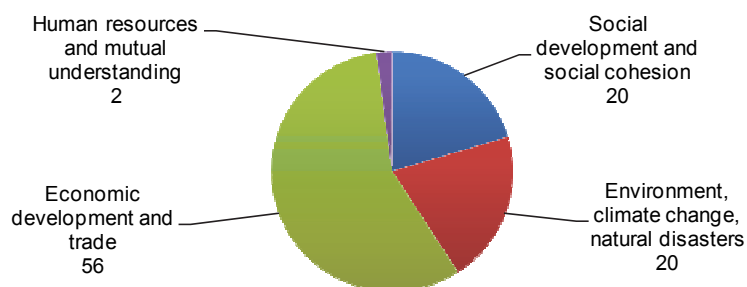
Subregional execution areas	Central America	Andean Community	MERCOSUR	Subregional total
Social development and social cohesion	20	22	9	50
Social development	2	16	9	27
Food security	18			18
Fight against production and trafficking of illicit drugs		6		6
Environment, climate change, natural disasters	20	9		29
Environment	20	9		29
Economic development and trade	56	19	29	104
Regional integration and economic cooperation	56	14	29	98
Economic development		5		5
Institutional cooperation		1		1
Human resources and mutual understanding	2		10	12
Scientific cooperation	2			2
Subregional total, all areas	97	51	47	195

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region

(a) Central America

Funding executed under the programming for Central America totals 97 million euros, of a total of 95 million euros committed. The main execution area in this subregional programming is economic development and trade, which includes the subarea of regional integration and economic cooperation with three subregional programmes: PRACAMS, CONSUAC, PRAIIA and PAIRCA II for a total of 56 million euros. The second-ranking areas of execution are environment, climate change and natural disasters, with 20 million euros through the PREVDA programme, and social development and social cohesion, which includes the food security subarea with the PRESANCA and PRESISAN programmes in the amount of 18 million euros, and the social development subarea with 2 million euros. The third area in terms of concentration of funds is human resources and mutual understanding; its subarea of scientific cooperation (which is unique among the three subregional programming exercises) totals 2 million euros through the LINK programme (see figure 29).

FIGURE 29
FUNDS EXECUTED UNDER SUBREGIONAL PROGRAMMING IN CENTRAL AMERICA
2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region.

Programmes for Central American integration

The European Union is the largest multilateral donor funding projects and programmes to strengthen subregional integration. All measures in this area aim to promote intraregional trade and harmonize production to achieve insertion in international markets.

The PRACAMS, CONSUAC and PAIRCA II programmes share the goal of strengthening regional integration through actions such as the reduction of trade barriers. For example, PRACAMS will provide technical assistance and training, as well as specialized equipment for the private and production sector, promoting access to intra- and extraregional markets for Central American products. The programme has proposed the establishment of a harmonized and internationally recognized regional System of Quality and Application of Sanitary and Phytosanitary Measures, to ensure compliance with the requirements of international markets within the framework of the agreement on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPM) signed by the countries of Central America.

The PAIRCA II programme is designed to strengthen the political integration of SICA. One of its goals is to help move the reform process forward, restructuring and modernizing the Central American Integration System (SICA) and strengthening regional and national institutions in their efforts to address the challenges this poses. It also seeks to promote the participation of civil society in the integration process, coordinate and build networks at different levels and exchange information, make available to the public the information and training needed to improve understanding of the regional integration process and to raise awareness of this issue among the population in general (see table 24).

The primary objective of the CONSUAC programme is to consolidate the SICA customs union. PRAIIA is another crucial programme for Central America; it was established to support and strengthen common mechanisms and tools for the facilitation of intraregional trade and the implementation of the Association Agreement.

TABLE 24
SUBREGIONAL PROGRAMMES UNDER EUROPEAN UNION PROGRAMMING
FOR CENTRAL AMERICA 2007-2013^a
(Millions of euros)

Area	Programme	Projects	European Union
All sectors			97
Scientific cooperation			2
	ENLACE	Enhancing Scientific Cooperation between the European Union and Central America	2
Trade and regional integration			56
	PRACAMS	Programme to support the creation of regional systems for quality infrastructure and the application of sanitary and phytosanitary standards in Central America	24
	CONSUAC	Programme for the Consolidation of the Central American Customs Union	7
	PRAIIA	National Programme to Support Central American Economic Integration and Implementation of the Association Agreement	10
	PAIRCA II	Programme to Support Central American Regional Integration (PAIRCA II)	15
Human development and social issues			2
	RECAP	Strengthening capacities for designing and analyzing indicators for decent jobs	2
Environment			20
	PREVDA	Natural disaster prevention	20
Food security			18
	PRESANCA	Regional Food and Nutritional Security Programme, Phase II	13
	PRESISAN	Food and Nutritional Security Information Systems	3
		Development of the PRECOSOL-CONSUACCION Platform for Consolidating Food and Nutritional Security in Central America	2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region.

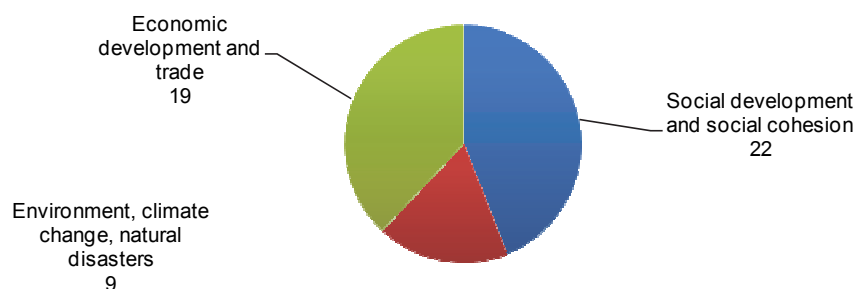
^a Figures for the various subregional programmes and projects have been obtained from the webpages of the various Delegations of the European Union in the region and do not necessarily include all the funds executed

(b) Andean Community

Funding executed under European Union cooperation programmes in the Andean Community amount to 51 million euros out of a total of 50 million euros in commitments (see figure 30).

The programming for the Andean Community is the only one with counterpart funds, which amount to 12 million euros. The area with the largest share of executed funds is social development and social cohesion, with a total of 22 million euros, divided among the subarea social development (16 million euros, and 3 million euros in counterpart funds) through CESCAN I and CESCAN II, and the fight against production and trafficking of illicit drugs (6 million euros plus 1 million euros in counterpart funds) through PRADICAN and DROSICAN. The second area is economic development and trade, through three programmes: INTERCAN, SOCICAN and FAT COMERCIO II, which together make up 19 million euros plus 4 million euros in counterpart funds. Although institutional cooperation accounts for only 1 million euros in contributions from the European Union and 0.3 million euros in local contributions, it is the only subregional programming operating in this area. And it is a clear sign of opening in terms of European Union cooperation at the subregional level. As for the economic development area, which is also found only in this subregional programming, the funding has been executed through the ANDESTAD programme and totals 5 million euros contributed by the European Union and 3 million euros in counterpart funding. Lastly, the environment area accounts for 9 million euros through the disaster prevention programme PREDECAN.

FIGURE 30
ANDEAN COMMUNITY SUBREGIONAL PROGRAMMING 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region.

Programme for integrating MERCOSUR

Like the other subregions, the European Union works through several projects for the integration of MERCOSUR member countries.

The ECONORMAS project, with 12 million euros in funding, seeks to align the cross-cutting strategies of each State Party concerning consistent and achievable regional strategies along four lines of integrated and complementary actions:

- (a) Promotion of sustainable production and consumption;
- (b) The fight against desertification and the effects of drought;
- (c) Progress in the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals; and
- (d) Convergence of the legal and regulatory basis (quality and security) of products in target areas such as timber and furniture in Uruguay and Paraguay, electrical products and metalworking, as well as regional capacity building for tracking compliance.

The programme emerged from strategies, plans and sector-based agendas defined by MERCOSUR, through its technical groups.

BIOTECH II is another project seeking to promote integration with the development and use of biotechnologies in MERCOSUR, in order to increase value added and make its products more competitive in international markets.

The project for supporting the deepening of MERCOSUR, with 15 million euros in funding, seeks standardization of sanitary and phytosanitary standards and procedures, food security and differentiated agricultural production. Harmonization will make it easier to operate in intra- and extraregional markets, increasing the competitiveness of the region's agricultural producers (see table 26).

TABLE 26
SUBREGIONAL PROGRAMMES IN EUROPEAN UNION PROGRAMMING
FOR MERCOSUR 2007-2013^a
(Millions of euros)

Area	Programme/Project	European Union funding	
All sectors		47	
Trade and regional integration		29	
	ECONORMAS	Support for deepening economic integration and sustainable development in MERCOSUR	12
	Support for deepening MERCOSUR	Harmonisation of veterinary and phytosanitary standards and procedures, food safety and differentiated agricultural production (SPS II)	15
	BIOTECH II	Support for deepening MERCOSUR	2
Human resources and social issues			9
	Support for the information society	Consolidate and boost civil society participation	7
	MERCOSUR Audiovisual	Consolidate and boost civil society participation	2
Human resources and mutual understanding			10
	MS programme for academic mobility in higher education	Consolidate and boost civil society participation	3
	PASEM	Consolidate and boost civil society participation	7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data available from EuropeAid. Includes only the figures published by the EU on its websites in the region.

^a Figures for the various subregional programmes and projects have been obtained from the webpages of the various Delegations of the European Union in the region and do not necessarily include all the funds executed.

B. Execution of bilateral cooperation funding in Latin America

1. Bilateral funding executed under European Union cooperation programming in Latin America 2007-2013

Bilateral funding executed under European Union cooperation programming in Latin America 2007-2013 amounts to 2.165 billion euros⁶⁷ out of a total of 1,871 billion euros in commitments for bilateral programming 2007-2013,⁶⁸ or 16% more than total commitments. This confirms how committed the European Union is regarding fulfilling its commitments to the region.

At the subregional level, considering only the information examined for bilateral funds executed to date, in Central America as a whole execution stands at 927 million euros (765 million euros committed). This is 43% of the total bilateral funding executed at the regional level. In the case of MERCOSUR, executed funding amounts to 368 million euros (287 million euros in commitments), which is 17% of the regional total. In the Andean Community, 743 million euros has been executed (663 million euros committed); this is 34% of the total bilateral funding executed. In the case of countries that have not been included in a group, execution at the bilateral level totals 128 million euros (156 million

⁶⁷ Bilateral programming for 2007-2013 encompasses the 17 countries of Latin America plus Cuba, unlike the 2002-2006 programming exercise which encompassed only 17 countries.

⁶⁸ The difference between funding committed and executed (which in this case is in favour of the countries of the region under their bilateral cooperation programmes) is due to additional funding from other EU financing lines on top of commitments under the respective MoU, as in the case of thematic programmes.

euros committed), or 6% of the total. This group of countries, at the bilateral level, is the only one with funding execution that is less than 100% of commitments: 82%⁶⁹ (see figures 32).

At the regional level, the leaders in terms of volume of bilateral funding executed are the Plurinational State of Bolivia (331 million euros executed, or 41% more than the 234 million euros in commitments); Honduras (269 million euros executed, which is 21% more than the 223 million euros in commitments); and Nicaragua (253 million euros executed, or 18% more than the 214 million euros in commitments). Guatemala comes fourth, with 181 million euros executed versus 135 million euros in commitments. Peru ranks fifth, with 166 million euros executed compared with 132 million euros in commitments.

In countries that are not included in a group, the pattern is as follows. Mexico had executed, at the time of this study, 50 million euros out of 55 million euros committed (90%). The Bolivarian Republic of Venezuela had executed 32 million euros out of 40 million euros committed (81%). At the time of this study, Chile had executed 25 million euros out of 41 million originally committed (62%).⁷⁰ The countries not included in a group are the only ones at the regional level with an execution rate of less than 100%. The exception is Cuba, which has executed 21 million euros out of 20 million euros in commitments for the period (see figure 33).

The three countries with the highest proportion of funding executed versus funding committed were the Plurinational State of Bolivia (97 million euros), Brazil (54 million euros), Honduras (46 million euros), Guatemala (46 million euros), Nicaragua (39 million euros), El Salvador (35 million euros) and Peru (34 million euros). There are four countries where execution fell short of commitments: Mexico (5 million euros), the Bolivarian Republic of Venezuela (8 million euros less), Panama (8 million euros less) and Colombia (54 million euros less). The 16 million euro shortfall in the case of Chile is attributable to the decrease in commitments (see figure 34).

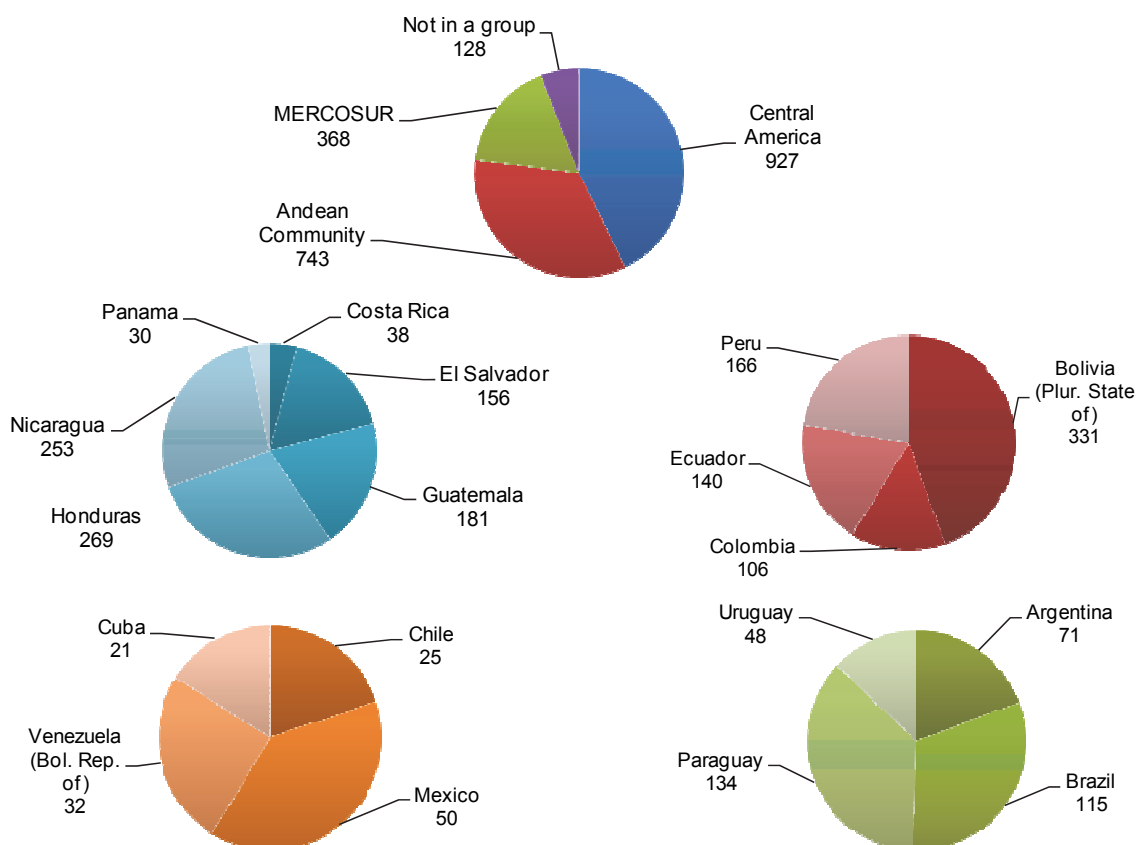
As for the countries receiving ODA from the European Union, eight countries account for two thirds (75%) of the total executed during the current programming exercise 2007-2013 to date at the bilateral level throughout the region. They are Honduras, Nicaragua, Guatemala and El Salvador in Central America, the Plurinational State of Bolivia, Peru and Ecuador in the Andean Community and Paraguay in MERCOSUR, totalling 1.63 billion euros out of a total of 2.165 billion euros executed. These are also the countries with the lowest GDP in the region.

Many of the countries of the region still receive substantial amounts of ODA from the European Union, but for others ODA funding has been steadily declining and become less relevant to their development. This is because ODA under international community agreements and consensus is focused primarily on achievement of the Millennium Development Goals and the fight against poverty. As a result, the remaining 535 million euros in ODA executed in the region by the European Commission at the bilateral level under the current programming exercise were executed in 10 countries: Mexico, Costa Rica, Panama, Brazil, Colombia, Argentina, Uruguay, Bolivarian Republic of Venezuela, Chile and Cuba. These countries accounted for 25% of total bilateral funding executed. This group of countries is among those with the highest GDP in the region. And the four most populous countries are in this group (see table 27).

⁶⁹ Chile can be regarded as having executed 100% of its funding because the mid-term review decreased total commitments by 15 million euros.

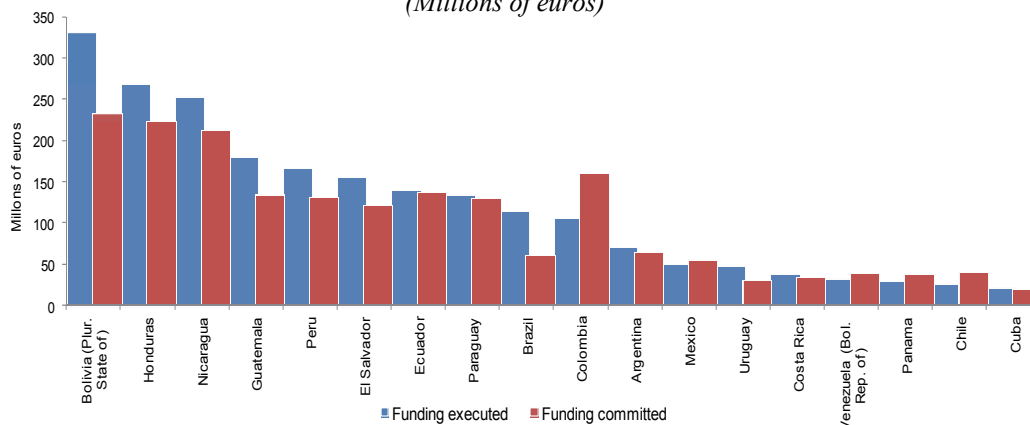
⁷⁰ Chile can be regarded as having executed 100% of its funding because the mid-term review decreased total commitments by 15 million euros.

FIGURE 32
EXECUTION OF BILATERAL FUNDING 2007-2013 AT THE REGIONAL LEVEL,
BY SUBREGION, CENTRAL AMERICA, ANDEAN COMMUNITY, MERCOSUR
AND COUNTRIES THAT ARE NOT IN A GROUP
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

FIGURE 33
BILATERAL FUNDING EXECUTED AND COMMITTED UNDER EUROPEAN UNION
BILATERAL COOPERATION PROGRAMMING IN LATIN AMERICA 2007-2013
(Millions of euros)



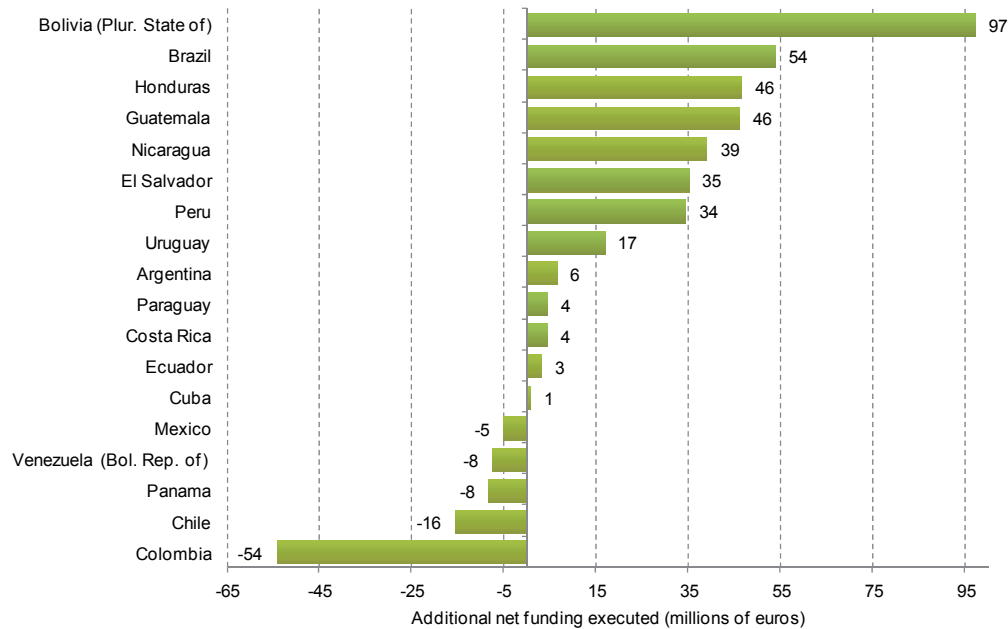
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

TABLE 27
POPULATION, GDP PER CAPITA AND FUNDING EXECUTED, IN DOLLARS,
FOR 17 COUNTRIES OF LATIN AMERICA AND CUBA

Country	Population (millions)	GDP per capita (Average 2007-2011) (dollars)	Funding executed (millions of dollars)
Argentina	42	5 806	97
Bolivia (Plurinational State of)	11	1 150	450
Brazil	200	5 329	156
Chile	18	8 363	35
Colombia	48	3 855	144
Costa Rica	5	5 294	52
Cuba	11		28
Ecuador	14	3 104	190
El Salvador	6	2 991	212
Guatemala	16	2 276	246
Honduras	8	1 534	366
Mexico	114	8 350	68
Nicaragua	6	943	344
Panama	4	6 139	40
Paraguay	7	1 404	183
Peru	31	3 537	226
Uruguay	3	6 260	65
Venezuela (Bolivarian Republic of)	30	6 251	44

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

FIGURE 34
ADDITIONAL NET FUNDING EXECUTED IN EXCESS OF COMMITMENTS
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

2. Areas of execution of bilateral cooperation funding at the regional level under European Union programming in Latin America 2007-2013

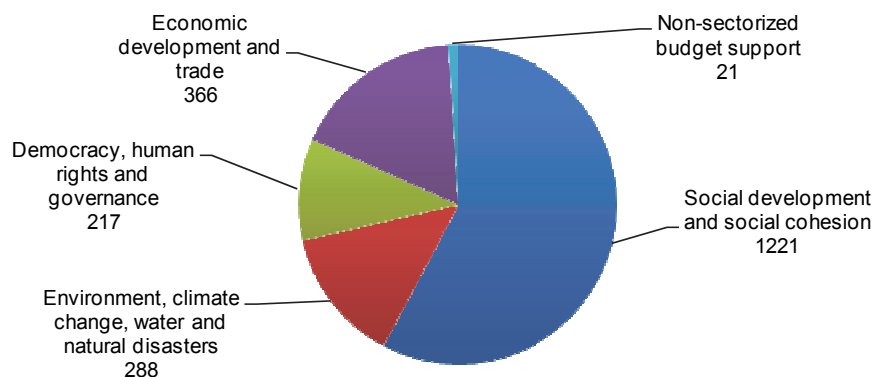
Bilateral funding executed during this period under European Union programming in Latin America 2007-2013 totalled 2.165 billion euros, of which 842 million euros have been executed in the form of Sector Budget Support.

In this study and for purposes of analysis, the areas in which cooperation funding has been executed have been divided into five groups in keeping with those defined by the European Union for its cooperation programming. According to the information obtained on each project, the bulk of this funding was sector-targeted. Only 20.5 million euros (1% of total Sector Budget Support funding) was not allocated to any of the sectors identified (see table 4A in the annex).

The bulk of bilateral funding executed at the regional level was in social development and social cohesion with 1.221 billion euros (56% of total bilateral funding), followed by economic development and trade with 365.7 million euros executed (17% of the bilateral programming).

Ranking third is environment, climate change, water and natural disasters with 288 million euros executed (13%), followed by democracy, human rights and governance, with 217.5 million euros (10% of total bilateral programming). Fifth is human resources and mutual understanding, with 52 million euros executed (2% of funding) (see figure 35).

FIGURE 35
AREAS OF EXECUTION OF BILATERAL FUNDING, INCLUDING SECTOR BUDGET SUPPORT 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

Social development and social cohesion is the area with the largest share of funding executed at the regional level; the subarea of social development accounts for 662 million euros (54% of the total for this area). The subarea rural development, territorial planning, agriculture and food security makes up 510 million euros (42% of the total for the area). The fight against production and trafficking of illicit drugs executed 49 million euros, or 4%.

The second largest share of bilateral funding executed at the regional level is economic development and trade, which has three subareas. The first, economic development, posted 197 million euros executed (54% of the total for the area). Second is the subarea of infrastructure with 119 million euros executed (33% of the total for this area). Lastly, the subarea regional integration and economic cooperation executed 50 million euros (14% of the total for this area).

In the area with the third largest share of funding at the regional level (environment, climate change, water and natural disasters) the subarea environment accounts for 167 million euros (58%). The subarea water and energy, at 121 million euros, accounts for the remaining 42% for this area.

Democracy, human rights and governance ranks fourth in execution of bilateral funding. The subarea governance, democracy and human rights makes up 183 million euros (84% of the total for this area); the subarea conflict prevention accounts for 34 million euros (16% of the total for the area).

Last is the area of human resources and mutual understanding, where the higher education subarea has executed 47% of the total for the area (24.5 million euros executed) and the subarea scientific cooperation has executed 53% (28 million euros) (see table 2A of the annex).

3. Areas of execution of bilateral cooperation funding at the subregional level under European Union programming in Latin America 2007-2013

As for areas of execution of bilateral cooperation funds at the subregional level in 2007-2013, Central America has executed 926.8 million euros, or 42.8% of the regional total. The social development and social cohesion area accounted for the bulk of the funding executed at the subregional level, at 535.4 million euros or 57.8% of the total. The primary subarea is social development with 267 million euros (49.9%), followed in second place by rural development and territorial planning, agriculture and food security, with 268.5 million euros, accounting for 50.1% of this area at the subregional level. The funds allocated to this sector have been executed primarily in Nicaragua and El Salvador, with 213 million euros and 119 million euros, respectively.

The area ranking second in funding execution in Central America is economic development and trade with 199 million euros or 21.5% of the total for the subregion. This area comprises three subareas; regional integration and economic cooperation (25.9 million euros executed); economic development (53.7 million euros executed); and, third, infrastructure (119.4 million euros executed). Honduras and El Salvador, with 130 million euros and 36 million euros, respectively, lead the area in terms of execution.

Democracy, human rights and governance ranks third in terms of bilateral funding execution in Central America, with 99 million euros (10.7% of the subregional total). In the subarea of governance, democracy and human rights, funding executed came to 92.1 million euros; for the subarea of conflict prevention the total was 6.6 million euros. Honduras and Nicaragua account for the largest share of funding executed, with 45.4 million euros and 28.9 million euros, respectively.

Ranking fourth in terms of funding executed is the area of environment, climate change, water and natural disasters, with a total of 71.4 million euros executed (7.7% of the funding executed at the subregional level). The main subarea here is environment, with 64.6 million euros executed, followed in second place by water and energy, at 6.9 million euros. In this area it is Guatemala and Honduras that account for the bulk of funding executed, with 36.2 million euros and 30.3 million euros, respectively.

In the area of human resources and mutual understanding, the only country that executed funding has been Costa Rica, at 10.9 million euros. Non-Sectorized Budget Support in the case of Central America totals 11 million euros.

For the Andean Community, all areas combined, executed funding comes to 742.9 million euros (34.3% of the total executed at the regional level).

The largest share of funding executed in the Andean Community was in the area of social development and social cohesion, with 425.4 million euros (57.3% of the total funding executed at the subregional level). The subarea of rural development and territorial planning, agriculture and food security ranked first, at 199.9 million euros (47% of the total for the area), followed by the subarea of social development, at 179.4 million euros (42.2% of the total for the area) and the fight against production and trafficking of illicit drugs, with 46 million euros (10.8%).

Second in terms of share of funding executed in the Andean Community is environment, climate change, water and natural disasters, with 177.1 million euros (23.8% of the subregional total). Funding executed in the environment subarea came to 67.8 million euros (38.3% of the total for the area), followed by water and energy, at 109.3 million in funding executed (61.7% of the total for the area).

Third in terms of bilateral funding execution is economic development and trade, with 69.2 million euros executed (9.3% of the subregional total). The primary subarea is economic development, with 63.5 million euros executed (91.7%), followed in second place by the subarea of regional integration and economic cooperation with 5.8 million, which represents 83%. No funding was executed under infrastructure.

Ranking fourth in execution of bilateral funding in the Andean Community is the area of democracy, human rights and governance, with 70.6 million euros (9.5% of the total executed at the subregional level. In this sector, funding executed in the subarea of governance, democracy and human rights came to 43 million euros; conflict prevention accounted for 27.6 million euros. Funding executed in human resources and mutual understanding totalled 0.6 million euros (0.1% of the total at the subregional level).

In MERCOSUR, total funding executed came to 368 million euros (17% of the total at the regional level).

With the largest share of bilateral cooperation funding executed in 2007-2013, social development and social cohesion accounted for 210 million euros (57.2% of the total funds executed. In this area, 185 million euros were executed in subarea of social development, and 25 million euros were executed in the subarea of rural development and territorial planning, agriculture and food security.

The second largest share of funding in MERCOSUR is in economic development and trade, with 60.1 million euros in funding executed (16.3% of the total at the subregional level). The subarea of regional integration and economic cooperation accounted for 18.1 million euros in funding executed; economic development accounted for 42 million euros. No funding has been executed to date in the subarea of infrastructure.

Democracy, human rights and governance, with 38.7 million euros, ranks third among the areas in terms of bilateral funding execution in MERCOSUR, with 10.4% of the total funds executed. The governance, democracy and human rights subarea accounted for 100% of this amount. No funding has been executed in the conflict prevention subarea.

The human resources and mutual understanding area ranks fourth in terms of funding executed: 26.7 million, or 7.2% of the subregional total. Of this, 21.7 million euros was in the higher education subarea and 5 million euros was in the scientific cooperation subarea.

The area in fifth place is environment, climate change, water and natural disasters, with 22.5 million euros (6.1% of the total funding executed). In this area, 18.7 million euros in funding was executed in the environment subarea and 3.8 million euros in the water and energy subarea.

For MERCOSUR, non-targeted Sector Budget Support amounted to 9.5 million euros (2.6% of the total funding executed in MERCOSUR).

The countries not included in a group executed 127.9 million in funding (5.9% of the total). The leader in funding execution was the social development and social cohesion area, with 50.4 million euros (39.4% of the total). Funding executed in the social development subarea, at 30.5 million euros, accounted for 60.5%. Rural development and territorial planning, agriculture and food security, at 16.6 million euros, accounted for 33%. The total for the fight against production and trafficking of illicit drugs was 3.3 million euros.

In second place is the area of environment, climate change, water and natural disasters, at 17.1 million euros (13.4% of the subregional total). Funding executed in the subarea environment came to 16.2 million euros (94.9% of the total for the area); water and energy executed 0.9 million euros (5.1% of the total for this area).

The third largest share of funding executed in the countries not included in a group was economic development and trade, with 37.3 million euros in funding executed in the economic development subarea.

Ranking fourth is human resources and mutual understanding, with 13.9 million euros in funding executed (10.8%). The higher education subarea accounted for 2.8 million euros (20.2%). For the scientific cooperation subarea the figure was 11.1 million euros.

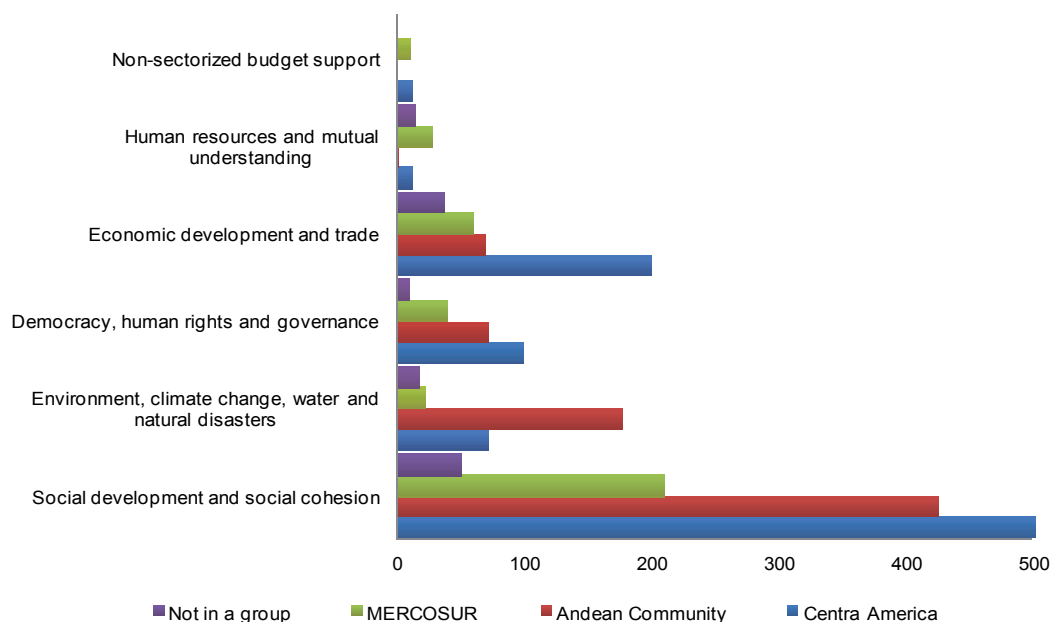
Ranking last was democracy, human rights and governance, with 9.2 million euros in the subarea of governance, democracy and human rights (see table 28 and figure 36).

TABLE 28
EXECUTION OF BILATERAL COOPERATION FUNDING, BY AREA,
AT THE SUBREGIONAL LEVEL, 2007-2013
(Millions of euros)

Areas and subareas	Central America	Andean Community	MERCOSUR	Not in a group	Total
Total sector-based and non-targeted sector budget support	927	743	368	128	2 165
Social development and social cohesion	535	425	210	50	1 221
Social development	267	179	185	30	662
Rural development and territorial planning, agriculture and food security	268	200	25	17	510
Fight against production and trafficking of illicit drugs		46		3	49
Environment, climate change, water and natural disasters	71	177	22	17	288
Environment	65	68	19	16	167
Water and energy	7	109	4	1	121
Democracy, human rights and governance	99	71	39	9	217
Governance, democracy and human rights	92	43	39	9	183
Conflict prevention	7	28			34
Economic development and trade	199	69	60	37	366
Regional integration and economic cooperation	26	6	18		50
Economic development	54	63	42	37	197
Infrastructure	119				119
Human resources and mutual understanding	11	1	27	14	52
Higher education			22	3	24
Scientific cooperation	11	1	5	11	28
Non- sectorized budget support	11		10		21

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade

FIGURE 36
EXECUTION OF BILATERAL COOPERATION FUNDING BY AREA,
AT THE SUBREGIONAL LEVEL, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

4. Areas of execution of bilateral cooperation funding under European Union programming in Latin America 2007-2013

Execution of bilateral cooperation funding under European Union programming in Latin America 2007-2013 is examined below, grouping the countries by subregion.

In Central America, Costa Rica executed a total of 38.2 million euros in the following areas: 10.9 million euros in the area of human resources and mutual understanding (in the subarea scientific cooperation) and 9.9 million euros in the area of democracy, human rights and governance (entirely in the subarea governance, democracy and human rights). In the area of social development and social cohesion it executed 8.8 million euros in the subarea social development, and in the area of economic development and trade it executed 8.5 million euros in the subarea of regional integration and economic cooperation.

El Salvador has executed in total 155.9 million euros. In the area of social development and social cohesion it executed 118.6 million euros in subarea of social development. For the area of economic development and trade the figure was 36.3 million euros in the economic development subarea; the area of democracy, human rights and governance accounted for 1 million euros in the subarea of governance, democracy and human rights.

Funding executed in Guatemala totalled 180.9 million euros. The figure was 102.2 million euros in the area of social development and social cohesion, of which 81.1 million euros was in the subarea rural development and territorial planning, agriculture and food security and 21.1 million euros was in the subarea social development. In the area of environment, climate change and natural disasters, 36.2 million euros was in the environment subarea. The area of democracy, human rights and governance accounted for 13.3 million euros, with 6.9 million euros for the subarea governance, democracy, human rights, and 6.4 million euros for conflict prevention. In the area of economic

development and trade the figure was 18.2 million euros; the subarea regional integration and economic cooperation accounted for 7 million euros, the subarea economic development accounted for 11 million euros; and the subarea infrastructure accounted for 0.3 million euros. Funding in the amount of 11 million euros was executed through Non-Sectorized Budget Support but could not be identified with a specific sector due to the lack of requisite information.

Honduras has executed 269 million euros. In the area of social development and social cohesion the figure was 63.2 million euros: 60.3 million euros in the subarea rural development and territorial planning, agriculture and food security and 2.8 million euros in the subarea social development. In the area of environment, climate change and natural disasters the figure was 30.3 million euros: 25 million euros in the subarea environment and 5.1 million euros in water and energy. In the area of democracy, human rights and governance funding executed came to 45.4 million euros: 45.3 million euros in the subarea governance, democracy, human rights and 0.2 million euros in conflict prevention. In the area of economic development and trade 130 million euros in funding has been executed, with 119 million euros in the subarea infrastructure, 1 million euros in economic development and 10.4 million euros in regional integration and economic cooperation.

Nicaragua has executed 252.9 million euros. In the area of social development and social cohesion the figure was 213.4 million euros:⁷¹ 127 million euros in the subarea rural development and territorial planning, agriculture and food security and 86.4 million euros in social development. In the area of environment, climate change and natural disasters, the total came to 4.9 million euros: 3.2 million in the subarea environment and 1.8 million euros in water and energy. In the area of democracy, human rights and governance funding executed totalled 28.9 million euros, all in the subarea governance, democracy and human rights. In the area of economic development and trade, at 5.6 million euros, 5.5 million euros was in subarea economic development and 0.1 million euros was in infrastructure.

Lastly, Panama has executed 29.5 million euros in two areas. In the area of social development and social cohesion it was executed 29.2 million euros in the subarea social development; the total for democracy, human rights and governance was 0.3 million euros.

In the Andean Community, the Plurinational State of Bolivia has executed 330.9 million euros to date. In the area of social development and social cohesion funding executed comes to 159.8 million euros: 91.8 million euros in the subarea rural development and territorial planning, agriculture and food security, 22 million euros in social development and 46 million euros in the subarea fight against production and trafficking of illicit drugs. In the environment, climate change and natural disasters area the figure was 116.9 million euros: 11.8 million euros in the environment subarea and 105.1 million euros in water and energy. In the area of economic development and trade, 54.3 million euros in funding has been executed in the subarea of economic development.

Colombia has executed 105.7 million euros. In the area of social development and social cohesion the total was 14.1 million, with 5.5 million euros in the subarea rural development and territorial planning, agriculture and food security and 8.5 million euros in social development. In the area of democracy, human rights and governance the total was 54.6 million euros: 28.4 million euros in the governance, democracy and human rights subarea and 26.2 million euros in conflict prevention. In the area of economic development and trade, the 13.2 million euros broke down into 5.8 million euros in the subarea regional integration and economic cooperation and 7.5 million euros in economic development. In the environment, climate change and natural disasters area, 23.2 million euros was in the environment subarea. In the area of human resources and mutual understanding, funding executed in the scientific cooperation subarea totalled 0.6 million euros.

Ecuador has executed 140 million euros. In the area of social development and social cohesion the figure was 109.5 million euros: 3.3 million euros in the subarea of rural development and

⁷¹ In the case of Nicaragua, 35 million euros were committed to education in this area.

territorial planning, agriculture and food security and 106.1 million euros in social development. In the area of environment, climate change and natural disasters, the figure was 27.2 million euros: 4.2 million euros in the subarea water and energy and 23 million euros in environment. In the area of democracy, human rights and governance 2.8 million euros was in the governance, democracy and human rights subarea. In the area of economic development and trade, 0.4 million euros in funding was executed in the subarea economic development.

Peru has executed 166.3 million euros. In the area of social development and social cohesion the amount was 142.1 million euros: 42.8 million euros in the subarea social development and 99.3 million euros in rural development and territorial planning, agriculture and food security. In environment, climate change and natural disasters 9.8 million euros has been executed in the environment subarea. In the area of democracy, human rights and governance the total was 13.2 million euros: 11.8 million euros in the subarea governance, democracy and human rights and 1.4 million euros in conflict prevention. In the area of economic development and trade 1.2 million euros has been executed in the subarea economic development.

In MERCOSUR, Argentina has executed 71.2 million euros: 49.7 million euros in the area of social development and social cohesion, 39.8 million euros in the subarea social development and 9.8 million euros in rural development and territorial planning, agriculture and food security. In the area of environment, climate change and natural disasters, the figure was 0.2 million euros in the subareas environment and water and energy, respectively. In the area of democracy, human rights and governance 13 million euros was in the subarea governance, democracy and human rights. In the area of economic development and trade 7.5 million euros was in the economic development subarea. Funding in the amount of 0.7 million euros was executed through Non-Sectorized Budget Support but could not be identified with a specific sector due to the lack of requisite information.

Brazil has executed 114.6 million euros. In the area of social development and social cohesion, the figure was 31.4 million euros: 23.8 million euros in the subarea social development and 7.6 million euros in rural development and territorial planning, agriculture and food security. In the environment, climate change and natural disasters area, funding executed totalled 20.6 million euros: 17.1 million euros in the environment subarea and 3.5 million euros in water and energy. In the area of democracy, human rights and governance the total was 11.8 million euros in the governance, democracy and human rights subarea. In the area of economic development and trade, 18.1 million euros was in the subarea economic development. In the area of human resources and mutual understanding Brazil has executed 26.7 million euros: 21.7 million euros in higher education and 5.0 million euros in scientific cooperation. Funding in the amount of 6.1 million euros was executed through Non-Sectorized Budget Support but could not be identified with a specific sector due to the lack of requisite information.

Paraguay has executed 134.2 million euros. The area of social development and social cohesion accounted for 120.8 million euros: 116.8 million euros in the subarea social development and 4 million euros in rural development and territorial planning, agriculture and food security. In the area of environment, climate change and natural disasters 1.5 million euros in funding was executed: 1.4 million euros in the subarea environment and 0.2 million euros in water and energy. In the area of democracy, human rights and governance 1.9 million euros was executed in the subarea governance, human rights and democracy. In the area of economic development and trade the figure was 10 million euros in the subarea of regional integration and economic cooperation.

Uruguay has executed 47.6 million euros. In the area of social development and social cohesion the total was 8.4 million euros: 4.7 million in the subarea social development and 3.7 million euros in rural development and territorial planning, agriculture and food security. In the area of democracy, human rights and governance, 12 million euros were executed in the subarea governance, democracy and human rights. In the area of economic development and trade, which came to 24.5 million euros, 8.1 million euros was in the subarea regional integration and economic cooperation and 16.5 million euros was in economic development. The figure for non-targeted sector budget support was 2.7 million euros.

Of the countries not included in a group, Chile has executed 25.4 million euros. In the area of social development and social cohesion the figure was 12.7 million euros in the subarea social development, 12.3 million euros and in development rural development and territorial planning, agriculture and food security 0.4 million euros. In the area of environment, climate change and natural disasters the funding executed comes to 2.2 million euros in the environment subarea. In the area of democracy, human rights and governance the figure is 1.2 million euros in the subarea governance, democracy and human rights. In the area of economic development and trade 9.3 million euros were in the subarea economic development.⁷²

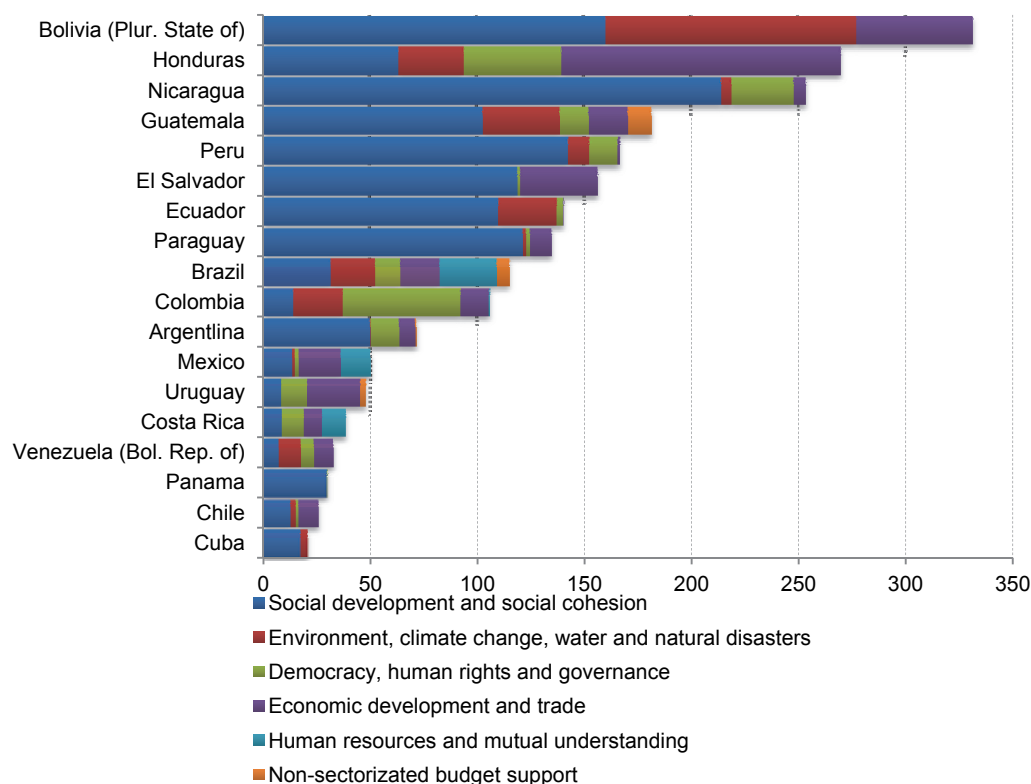
Mexico has executed 50 million euros. In the area of social development and social cohesion it has executed 13.5 million euros in the subarea social development. In the area of environment, climate change and natural disasters it has executed 1.2 million euros in the environment subarea. In the area of democracy, human rights and governance it has executed 1.9 million euros in the subarea governance, democracy and human rights. In the area of economic development and trade it has executed 19.3 million in the economic development subarea. In the area of human resources and mutual understanding Mexico has executed 13.9 million euros: 2.8 million euros in higher education and 11.1 million euros in scientific cooperation.

The Bolivarian Republic of Venezuela has executed 32.3 million euros. The figure for the area of social development social cohesion was 7.1 million euros: 3.8 million euros in the subarea social development and 3.3 million euros in the fight against production and trafficking of illicit drugs. In the area of environment, climate change and natural disasters, the total was 10.2 million euros: 9.9 million euros in the environment subarea and 0.3 million euros in water and energy. In the area of democracy, human rights and governance the figure was 6.1 million euros in the subarea governance, democracy and human rights. In the area of economic development and trade, 8.8 million euros was in the subarea economic development.

Lastly, Cuba has executed 20.5 million euros. In the area of social development and social cohesion, the figure was 17 million euros, with 0.8 million euros in the subarea social development and 16.2 million euros in rural development and territorial planning, agriculture and food security. In the area of environment, climate change and natural disasters the figure was 3.5 million euros: 3 million euros in the environment subarea and 0.5 million euros in water and energy (see figure 37 and table 3A of the annex).

⁷² Chile changed its cooperation funding with the European Commission in the mid-term review; the 15 million euro decrease took the funding from 41 million euros to 26 million euros.

FIGURE 37
FUNDING EXECUTED BY THE COUNTRIES IN EACH AREA, INCLUDING SECTOR BUDGET
SUPPORT, PROGRAMMED BY THE EUROPEAN UNION IN 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

C. Bilateral sector budget support in European Union cooperation programming in Latin America 2007-2013

An examination of funding executed by sector shows the high level of funding through the modality of Sector Budget Support. This modality for executing funding involves large amounts and consists of the direct transfer of resources to the government of the recipient country. Once received, the amount delivered is managed by the national public sector, using its own systems and procedures for finance management. This funding mechanism is used primarily to support public policies aimed at promoting development. But countries wishing to receive such support must meet certain conditions. A national policy on development or a strategy for sectoral reform must already be in place, and there must be a macroeconomic framework geared towards stability. Lastly, there must be an established programme for improving the management of public finances. This support is delivered once these eligibility criteria are met.

For the sake of an even more accurate look at the assistance delivered to the region, it was decided to broaden the range and define the main budget support themes with respect to projects funded through this modality.

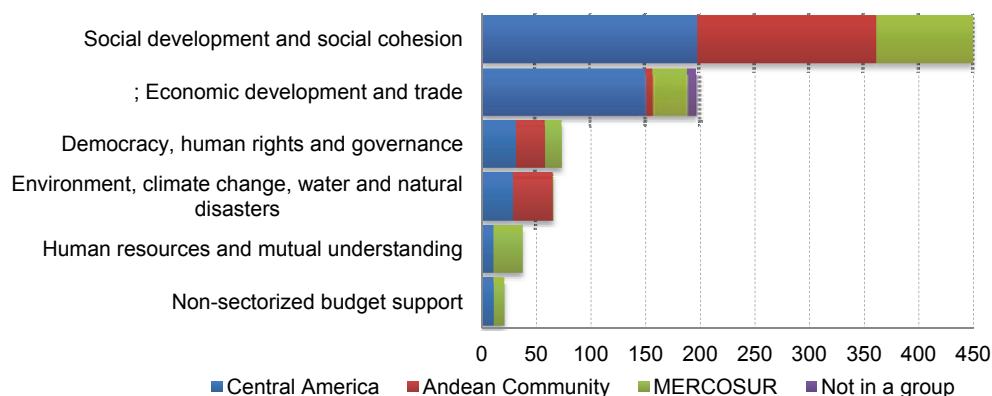
Bilateral funding executed through Sector Budget Support executed during the current multiannual programming exercise 2007-2013 amounts to 842 million euros.

At the subregional level, Sector Budget Support in Central America amounts to 429.5 million euros or 51% of total funding at the regional level. This is therefore the subregional group that most uses this modality. At the bilateral level in Central America, Sector Budget Support amounts to 28 million euros in Costa Rica (73.7% of the total bilateral funding executed), making it the country that most uses this mechanism. Next is Nicaragua, at 170 million euros (67.3% of total funding executed), followed by Honduras with 140 million euros (51.9% of the funding executed) and Guatemala with 79.3 million euros (37.7% of total bilateral funding executed). In the case of El Salvador funding executed under this modality comes to only 7.8% (12 million euros). In Panama this funding was not used.

In the Andean Community of Nations, Sector Budget Support totals 231 million euros executed under the current bilateral programming (27% of the subregional total). At the bilateral level in Ecuador the total is nearly 120 million euros (85.4% of the total funding executed in that country). Next is Peru, with 60.8 million euros (36.6% of the total funding executed). In Colombia the funding executed through Sector Budget Support amounts to 32 million euros (30% of the bilateral total). In the Plurinational State of Bolivia, the figure of 19 million euros is a mere 5.7% of total bilateral funding executed. In the Andean Community of Nations, while the four member countries executed ODA funding through Sector Budget Support, the funding executed under this modality in Ecuador accounts for more than 85% of the total executed. This is the highest percentage at the regional level.

Sector Budget Support in MERCOSUR totalled 172 million euros in the current bilateral programming exercise 2007-2013. At the bilateral level, Sector Budget Support executed in Uruguay totalled 27 million euros, which is 57.5% of the total bilateral funding executed. In Argentina the figure was 35 million euros (48.9% of the funding executed). In Brazil the figure was 52 million euros (45.2% of the bilateral funding executed). In Paraguay the 58 million euros executed equates to 43.5% of the total bilateral funding executed. The countries of MERCOSUR that use the Sector Budget Support execution modality account for 49% of the total funding executed.

FIGURE 38
SECTOR SUPPORT FUNDING EXECUTED IN CENTRAL AMERICA,
ANDEAN COMMUNITY AND MERCOSUR, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

For countries not included in a group at the subregional level, Sector Budget Support was only used in the Bolivarian Republic of Venezuela and amounted to 8.4 million euros (26% of the total funding executed in that country) (see figure 38).

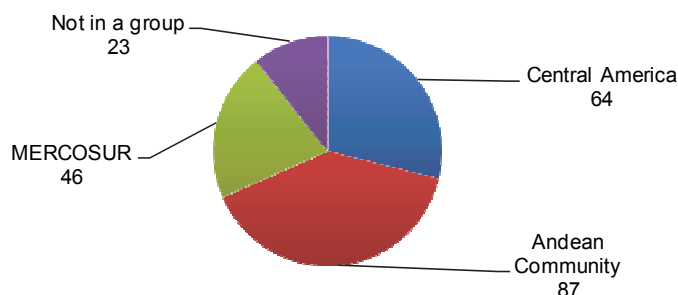
D. Non-state actors in executing European Union cooperation programming funding in Latin America 2017-2013⁷³

European Commission cooperation funding in Latin America and the Caribbean under the DCI geographic programme for Latin America is executed directly with the governments, in particular in the case of bilateral ODA funds. This is not the case with the regional programmes that specifically provide for the participation of non-governmental organizations (NGOs) or non-state actors. For bilateral funding under the multiannual programming exercise 2007-2013, 18% of the total bilateral funding was executed through non-state actors.

Non-state actors such as project leads and European funds in Latin America are an important component of development aid. The increasing involvement of these entities as development actors shows that civil society recognizes their fundamental role in promoting sustainable development (see figure 39).

The non-state actors that are most involved in executing bilateral funding under the current programming exercise 2007-2013 are NGOs, through which 221 million euros in funding has been executed. This is 56% of the total funding executed through non-state actors. The largest share is in the Andean Community (87.4 million euros) and Central America (63.9 million euros). In MERCOSUR 46.3 million euros have been executed through NGOs. In the countries not included in a group, taken as a whole, they have executed 23.5 million euros. These NGOs are a significant presence in Peru (38.6 million euros), Nicaragua (37.8 million euros) and Brazil (33.7 million euros). There is also a significant presence in Colombia (29.1 million euros), Ecuador (18.8 million euros), Guatemala (17.1 million euros) and the Bolivarian Republic of Venezuela (10.3 million euros).

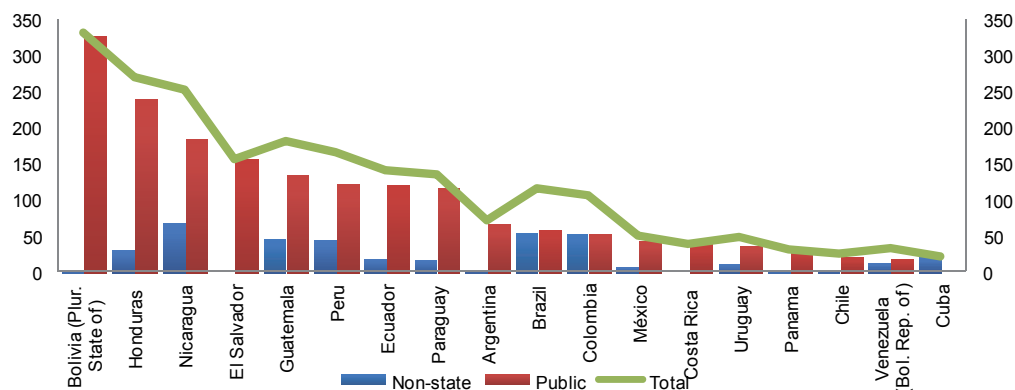
FIGURE 39
NON-GOVERNMENTAL ORGANIZATIONS EXECUTING COOPERATION FUNDING
IN LATIN AMERICA 2007 – 2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

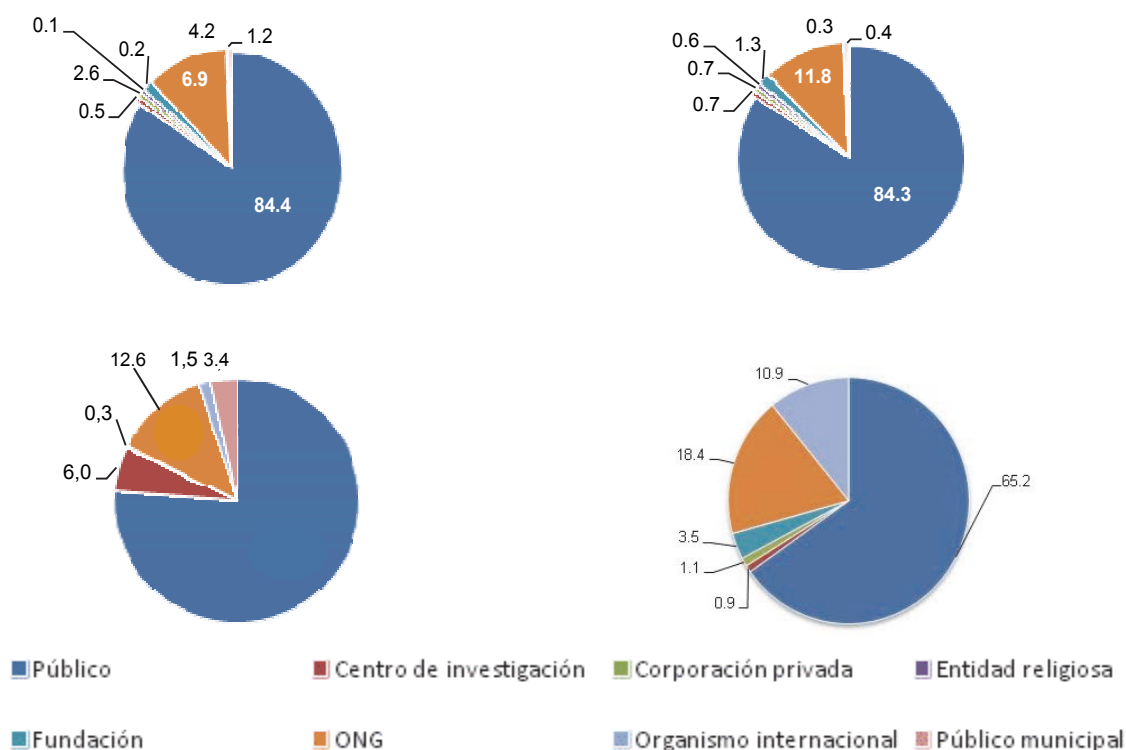
⁷³ Only the involvement of non-state actors in relation to bilateral funding (bilateral programming) is considered here; their involvement in the regional programmes that are executed primarily through them is not.

FIGURE 40
COOPERATION ACTORS IN LATIN AMERICA BY COUNTRY, 2007-2013
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

FIGURE 41
COOPERATION ACTORS IN LATIN AMERICA BY SUBREGION, 2007-2013
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

Ranking second among non-state actors in execution of funding are international agencies, at 60.9 million euros. Most of the funding executed through these agencies has been in Central America (39.1 million euros) and countries not included in a group (13.9 million euros). In Central America, it is in Nicaragua (16.2 million euros), Guatemala (13 million euros) and Honduras (9.9 million euros) where the most European Commission bilateral cooperation funding has been executed through non-state actors. As for countries not included in a group, the funding executed was almost entirely in Cuba, at 13.4 million euros (see figures 40 and 41).

Research centres rank third among non-state actors in the execution of bilateral funding, at 32.7 million euros. The figures for the countries of MERCOSUR are substantial, in particular in Brazil (13 million euros) and Paraguay (8.2 million euros).

In fourth place are private corporations, which executed 30.6 million euros in bilateral funding at the regional level. The presence of these private corporations is relevant in Central America, accounting for 23.9 million in funding executed, in particular in Guatemala (12.6 million euros) and Nicaragua (11.2 million euros). These corporations are also present in Colombia (4.5 million euros in funding executed).

Among the non-state actors are foundations, which have executed 16.8 million euros; they are relevant in Colombia (9.4 million euros). They also include religious entities, which have executed 5.2 million euros at the regional level, mainly in Colombia (2.1 million euros) and Peru (1.9 million euros).

Last but still important is the funding executed through public entities at the municipal level, which amounted to 27.1 million euros; this is no more than 7% of the total funding executed by non-state actors, primarily in Honduras (10.5 million euros) and Uruguay (7.2 million euros). While the proportion of this funding is small in comparison with the other non-state actors they are important because they make it possible to execute cooperation funding in a more decentralized manner, directly to beneficiaries.

Another important modality of cooperation stresses local and territorial communities. Spain and France have been the most active in promoting this kind of cooperation, which is associated with experience in decentralization policies. This cooperation based on rapprochement between regions or localities is one of the advantages of the French and Spanish systems of cooperation.

E. Analysis of commitments compared to amounts executed

To date under the European Commission's multi-annual programming of cooperation included in the geographic programming of the development cooperation instrument (DCI), the Latin American regional programming has executed € 2,920 million overall, out of a total commitment of €2,602 million (an execution rate of 112%).

In the regional programming exercise (regional-scope programmes) € 559 million of the € 556 million committed has been executed; in subregional programming, funds executed amount to € 195 million out of € 195 million committed; and, in the case of bilateral programming, € 2,165 million has been executed compared to a total commitment of €1,871 million. The latter represents the largest share of the European Commission's financial commitments in Latin America, representing 73% of total official development assistance (ODA) executed.

Of the € 559 million executed in the regional programming exercise (regional-scope programmes), the Economic development and trade sector is the leader in terms of the execution of regional programming funds, with € 197 million executed (35.2%), and the Human resources and mutual understanding sector is second, with € 193 million executed (34.5%). The Social development and social cohesion sector, with €97 million executed (17.4%) is ranked third.

A review of the priority sectors for the concentration of funds committed and executed from the regional programming exercise shows that funds executed in the Human resources and mutual

understanding sector dropped from 40% of funds committed in the first programming exercise to 38% in the second, and ultimately executed 34.5%, thereby slipping from first place in terms of funds committed to second in terms funds executed in this programming. The Economic development and trade sector dropped from 25% to 13% in terms of funds committed, but executed 35.2% of total funds in this programming exercise, thereby rising from third place in commitments to first in execution. Lastly, the Environment sector which initially accounted for 1% of resources committed before rising to 7%, ultimately executed 6.1% of total resources executed in the regional programming exercise.

At the subregional level, funds executed amount to € 195 million compared to the € 195 million initially committed.⁷⁴ The leading execution sectors among the three subregional programming exercises are Economic development and trade with € 104 million; Social development and social cohesion with € 50 million; and the environment, with € 29 million in third place. The Human Resources and mutual understanding sector executed € 12 million in funds. These three sectors are joined by several specific subsectors such as scientific cooperation in Central America, and institutional cooperation, economic development, and fight against production and trafficking of illicit drugs in the Andean Community. In the case of MERCOSUR, the sector incorporated was human resources (higher education) and mutual understanding. This characteristic of subregional programming exercises is very important since it makes it possible to establish subprograms of subregional scope that incorporate all of the specifics of the countries of the group in question, thereby enriching the programming exercises. It also makes it possible to tackle topics of subregional interest which could not be included in regional and bilateral programmes.

In relation to bilateral funds in the 2007-2013 programming, funds executed to date by the European Union amount to € 2,165 million — 15% more than the € 1,871 million committed.

In the case of bilateral funds executed in each subregional group, the main recipients of ODA from the European Commission to date are the Central American countries, which have jointly executed € 927 million. At the bilateral level, the countries of the Andean Community of Nations (CAN) have executed € 743 million to date, and MERCOSUR countries have executed € 128 million.

In terms of funds executed, the 10 leading Latin American recipients of bilateral ODA from the European Union in the period 2007-2013 are: the Plurinational State of Bolivia (€ 331 million executed out of € 234 million committed); Honduras (€ 269 million, € 223 million committed); Nicaragua (€ 253 million executed of € 214 million committed); Guatemala € 181 million executed compared to € 135 million committed); Peru (€ 166 million, € 132 million committed); El Salvador (€ 156 million executed compared to € 121 million committed); Ecuador (€ 140 million, € 137 million committed); Paraguay (€ 134 million executed, € 130 million committed); Brazil (€ 115 million executed compared to € 61 million committed); and Colombia (€ 106 million executed out of € 160 million committed). Of the 10 leading recipients of ODA funds executed, four belong to Central America (which has six member countries altogether), four are members of the Andean Community of Nations (all CAN members), and two are MERCOSUR countries.

In terms of the net increase in funds committed and funds executed, the most striking cases are the Plurinational State of Bolivia, which had an increase of € 97 million, Brazil with an increase of € 54 million, Honduras with an increase of 46.5 million, Guatemala with an increase of € 46 million, Nicaragua with an increase of € 39 million, El Salvador with an increase of € 35 million, and Peru with an increase of € 34 million. This explains the overall increase in Central America, the Andean Community of Nations and MERCOSUR.

⁷⁴ Funding for the Central American subregional programme was increased by €20 million in the mid-term review, from €75 million to €95 million.

Two thirds (71%) of the total amount of European Union ODA funds executed thus far of the current 2007-2013 programming exercise, at the bilateral level across the region, correspond to seven countries: Honduras, Nicaragua, Guatemala and El Salvador in Central America; the Plurinational State of Bolivia and Ecuador in the Andean Community; and Paraguay in MERCOSUR, which jointly account for € 1,382 million out of a total of € 2,165 million executed.

Nonetheless, while ODA from the European Union continues to be important for many countries in the region, for others these ODA funds have been declining steadily and have become less important for their development. This is explained by the fact that these ODA funds, corresponding to the different agreements and accords achieved by the international community, are mainly targeted on fulfilling the Millennium Development Goals and the fight against poverty. Thus, the remaining € 572.9 million of bilateral ODA executed by the European Commission in the region in the current programming period, was shared between eight countries: Brazil, Colombia, Peru, Argentina, Mexico, Uruguay, Costa Rica, the Bolivarian Republic of Venezuela, Panama, Chile and Cuba (in that order), 29% in total.

In terms of the sectors in which the bilateral funds executed regionally are concentrated in the 2007-2013 programming exercise, the priority sector is Social development and social cohesion, with € 1221 million; and the second priority sector is Economic development and trade, which accounts for € 336 million executed. The third sector of execution of bilateral funds at the regional level is Environment, climate change, water and natural disasters, which jointly accounted for € 288 million; and the fourth sector is Democracy, human rights and good governance, with € 217 million executed (see table 29).

In relation to the sectors of execution of bilateral funds, corresponding to the 2007-2013 programming period, the sector with the largest commitments and funds executed is Social development and social cohesion, which executed 1.4 times the total amount of funds committed. In this sector, all countries report funds committed and executed.⁷⁵ Countries that have executed more funds than the amount committed in the respective country strategy papers (CSPs) are Nicaragua, Guatemala, the Plurinational State of Bolivia, Ecuador and Paraguay. Countries that have executed less funds than those committed in their CSPs are Honduras, Costa Rica, Uruguay, Mexico and Chile — the latter owing to a reallocation of funds committed. The only countries that executed funds in this sector without having previous commitments, are Colombia and the Bolivarian Republic of Venezuela.

⁷⁵ In many cases, the funds committed bilaterally are for education; only in Argentina, Brazil and Mexico is it specified that such funds are for higher education or culture. Accordingly, for the purposes of this analysis, this Development and Social Cohesion sector has incorporated all funds committed and executed in the human resources and mutual understanding sector.

TABLE 29
SECTOR EXECUTION OF REGIONAL, SUBREGIONAL AND BILATERAL PROGRAMMING
EXERCISES AND SECTOR BUDGETARY SUPPORT, 2007-2013
(Millions of euros)

Sector and subsector	Regional programming	Subregional programming	Bilateral programming	Total sector
Social development and social cohesion	97	51	1 221	1 369
Social development and social cohesion	97	27	662	786
Rural development and land-use management, agriculture and food security		18	510	528
Suppression of the production and trafficking of illicit drugs		6	49	55
Environment, climate change, water and natural disasters ^a	34	29	288	351
Environment	34	29	167	230
Water and energy			121	121
Democracy, human rights and good governance			217	217
Governance, democracy and human rights			183	183
Prevention of disputes			34	34
Economic development and trade	197	104	366	667
Regional integration and economic cooperation	72	98	50	220
Economic development		5	197	202
Infrastructure	125		119	244
Institutional cooperation		1		1
Human resources and mutual understanding	193	12	52	257
Higher education	186	10	25	221
Scientific cooperation	7	2	28	37
Other non-sectorized programs	20			20
Reserves and others	18			18
Sectorized budgetary support			21	21
Total sector	559	196	2 165	2 920

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-CEPAL Project on Investment and Trade.

^a The Latin America Investment Facility (LAIF) programme has an execution commitment of € 125 million, but information only exists on the execution of € 35 million in the environment sector. The remaining € 90 million was included under social cohesion according to the mid-term programming. The URBAL III programme has executed funds in several sectors (€ 17 million in governance, € 16 million and social cohesion, € 11 million in local development, € 4 million in the environment and € 2 million in economic development).

TABLE 30
SECTORAL COMMITMENTS AND EXECUTION OF THE BILATERAL PROGRAMMING EXERCISE, 2007-2013
(Millions of Euros)

Countries/sectors	Social development and social cohesion		Democracy, human rights and good governance		Economic development and trade		Environment, climate change, water and natural disasters		Other bilateral priorities		Non-sectored support		Total sectors	
	Funds committed	Funds executed	Funds committed	Funds executed	Funds committed	Funds executed	Funds committed	Funds executed	Funds committed	Funds executed	Funds committed	Funds executed	Funds committed	Funds executed
Nicaragua	75	213	34	29	94	6		5		11			214	253
El Salvador	85	119		1	36	36							121	156
Guatemala	47	102		13	88	18		36			11		135	181
Costa Rica	25	20		10	9	9							34	38
Panama	29	29			10								38	30
Honduras	112	63	45	45		130	67	30					223	269
Colombia		15	144	55	16	13		23					160	106
Bolivia (Plur. St. of)	78	160			96	54	60	117					234	331
Ecuador	74	109		3	63			27					137	140
Peru	106	142	26	13		1	10						132	166
Uruguay	19	8		12	12	25					3		31	48
Argentina	42	50		13	23	8					1		65	71
Brazil	43	58		12		18	18	21			6		61	115
Paraguay	106	121		2	24	10		2					130	134
Mexico	36	27		2	19	19		1					55	50
Chile ^a	25	13		1	16	9		2					41	25
Venezuela (Bol. Rep. of)		7	20	6	20	9		10					40	32
Cuba	13	17					7	3					20	21
Total	912	1273	269	218	526	366	288	11			21		1 869	2 165

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information. Dashboard, AECID-CEPAL, project on investment and trade.

^a Chile lost € 15 million in the mid-term review, so its total commitment is € 26 million rather than the initial € 41 million.

In the Democracy, Human rights and good governance sector, nearly all countries have funds executed, except for Panama, the Plurinational State of Bolivia and Cuba. Initially, only five countries had funding commitments in this sector. The leading case is Colombia, which had € 144 million committed but only recorded execution of € 55 million. This difference could be explained by the fact that the total amount of funds committed in Colombia was € 160 million but only € 106 million had been reported as executed, the difference in this sector could reflect the funds that have not yet been executed. Other countries with less funds executed in this sector compared to the amounts committed in their CSPs are Nicaragua (€ 34 million committed and € 29 million executed), Peru (€ 26 million committed and € 13 million executed) and the Bolivarian Republic of Venezuela (€ 20 million committed and € 6 million executed). The other 11 countries have executed funds in this sector without having had funds committed in the respective CSPs.

In the Economic development and trade sector, 14 of the 18 countries have funds in their CSPs, and 16 have funds executed. Only Panama, Ecuador and Cuba have not executed funds in this sector, while Honduras, Peru, Brazil and Cuba did not have funds in their CSPs. Honduras, Peru, Brazil and Cuba executed more funds than the amounts committed; while Nicaragua, Guatemala, Colombia, the Plurinational State of Bolivia, Ecuador, Uruguay, Argentina, Paraguay and Chile executed less than the amounts committed.

In the Environment, climate change, water and natural disasters sector, just four countries have funding commitments: Honduras, the Plurinational State of Bolivia, Brazil and Cuba; while five —El Salvador, Costa Rica, Panama, Uruguay and Argentina— had no funds committed and have not executed funds in this sector. A total of 13 countries executed funds in this sector; the only country that has executed more than the amounts committed is the Plurinational State of Bolivia, while Honduras and Cuba executed less funds than the amounts committed.

In the Other bilateral priorities sector, Nicaragua has € 11 million committed in its CSP that could not be assigned to a sector. The Non-sectorized budgetary support sector had total commitments of 21 million, shared among Guatemala (11 million), Uruguay (3 million), Argentina (1 million) and Brazil (6 million).

When the funds committed and executed are sectorized, it can be inferred that the additional disbursements executed in most countries, particularly in project amounts below € 1 million, would be in the Democracy, human rights and good governance sector and in the Environment sector, on the basis that these additional projects could stem from programmes in the DCI thematic line (see table 30).

IV. European Union cooperation 2014-2020

A. European Union cooperation in Latin America and the Caribbean, 2014-2020

1. The European Union-Latin America and Caribbean strategic partnership

In some cases bilateral relations between the European Union and the countries of Latin America and the Caribbean date back to the 1960s and 1970s. Nonetheless, only since the 1990 Rome Declaration of the Foreign Ministers of the European Union (then the European Community) and the Rio Group was it decided to engage in “institutionalized political dialogue” between the two parties.⁷⁶

The Rome Declaration was a political act of prime importance that marked the future of relations between the two regions. It was the first time that all of the countries of South America and Mexico (in addition to a representative from Central America and another from the Caribbean, who participated as observers) had met in a ministerial-level conference with their European counterparts, in response to the desire expressed by Latin American countries, as a geographic and economic unit, to establish an institutionalized level of dialogue.⁷⁷

Four years later, during the Fourth Institutionalized Ministerial Meeting held on 23 and 24 April 1994, the foreign ministers of the Rio Group and the European Union signed the São Paulo Declaration, in which they resolved to promote a deeper relationship, defining appropriate structures

⁷⁶ At that time, the Rio Group had 11 Latin American countries as permanent members: Argentina, Brazil, the Plurinational State of Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and the Bolivarian Republic of Venezuela. The regions of Central America and the Caribbean were represented by observers appointed by rota.

⁷⁷ The purpose of the Rome Declaration was to permanently globalize and restructure the political and economic dialogue, by institutionalizing it. The Declaration attaches particular —but not exclusive— attention to improving cooperation in trade, economic cooperation, debt, development assistance, environment, and combating drugs and terrorism; and it prioritizes projects on investment, science and technology, education and regional integration.

for dialogue and cooperation, together with new tools to enhance the current context of mutually beneficial relations”.⁷⁸

These declarations by the foreign ministers of the Rio Group and the European Union prompted the Council of Foreign Ministers of the European Union⁷⁹ and the European Parliament⁸⁰ to set the objectives of the new partnership with Latin America, thereby making it possible to embark on negotiations to achieve the “new instruments” agreed upon in 1994 in the São Paulo Declaration.

As a result of this institutionalized dialogue process between the two regions in 1995-1997, a Framework Agreement on Interregional Cooperation was signed between the European Union and MERCOSUR, and a Framework Agreement on Cooperation with Chile, with the ultimate aim of preparing a political and economic partnership. A “Solemn Joint Declaration” was adopted with Mexico, expressing the decision to sign a new political, economic and trade agreement. In the case of the Andean Community and Central American countries, the cooperation agreements in force at that time were updated.⁸¹

The common denominator in all of these negotiations was the signing of a Declaration on Political Dialogue.⁸² These new agreements paved the way for progress in institutionalizing political relations between the European Union and Latin America, deepening cooperation schemes and incorporating specific political dialogue mechanisms, in addition to adopting specific commitments for future trade liberalization.⁸³

This progress created the conditions for Spain in 1997 to propose in the European Union a further deepening of ties with Latin America and the Caribbean, raising the political dialogue launched in 1990 Rome to the level of the highest authorities of the countries of the two regions. The Spanish initiative culminated in June 1999 in Rio de Janeiro, Brazil, with the holding of the First Summit of Heads of State and Government of the European Union in Latin America and the Caribbean.

The first European Union-Latin America and Caribbean Summit marks the beginning of a new stage in relations between the two regions, by proposing a new projection for the future of their mutual relations. The Heads of State and Government of the 48 countries participating in this first summit declared the common objective of constructing a “strategic partnership” between the two regions, which would span the political, economic, and cooperation fields, thereby giving a decisive impetus to the construction of the bi-regional architecture as currently defined.⁸⁴

⁷⁸ Declaration of Sao Paulo. Fourth Institutionalized Rio Group-European Union Ministerial Meeting, São Paulo, Brazil, 22 and 23 April 1994, p.1.

⁷⁹ The Council specified the procedures to be followed: dialogue and cooperation with regional and subregional groupings as well as individual countries; and initiate conversations about new and more ambitious agreements (European Council Declaration, 1995).

⁸⁰ The European Parliament stated that Latin America should be among the European Union’s most important partners worldwide, and proposed the intensification of political and economic relations and consideration of the possibility of negotiating free trade agreements with countries in the region. European Parliament Declaration, 1995.

⁸¹ Trade and investment would be the cornerstone of relations with Latin America and the Caribbean, by applying tariff reductions and eliminating trade barriers, and through the promotion and protection of investment and intellectual property. Political cooperation and dialogue required this objective to be strengthened and for European Union interests in the region to be balanced.

⁸² In the 1990s, the democratic clause was incorporated into the first generation agreements, the main effect of which was, and still is, that the agreements are applicable provided their parties maintain democratic government regimes.

⁸³ Leiva, Patricio. 2003.

⁸⁴ To date there have been six European Union-LAC Summits: Rio de Janeiro (1999), Madrid (2002), Guadalajara (2004), Vienna (2006), Lima (2008) and Madrid (2010). What would have been the 2012 summit in Santiago, Chile, became the first European Union-CELAC summit, which finally took place in February 2013. Aside from a change in the name of the Latin American and Caribbean party, continuity of the bi-regional relation is maintained.

Following a review of the trend of cooperation agreements implemented at the time of the first European Union-Latin America and Caribbean Summit in 1999, the Presidents and Heads of State and Government of the European Union and the member countries of MERCOSUR, plus Chile, formally launched negotiations aimed at achieving the objectives specified in the agreements signed in 1995 and 1996 respectively, in terms of signing partnership agreements.⁸⁵ In addition, the top authorities of the European Union and Mexico decided to speed up the negotiations that were ongoing to fulfill the 1997 commitments following the Solemn Joint Declaration which expressed the decision to sign a political, economic and trade agreement.

At the time of the second European Union-Latin America and Caribbean Summit held in Madrid, Spain, in 2002, this strategic partnership had already achieved two specific results: the signing of the Political, Economic and Cooperation Agreement between the European Union and Mexico (2000), and the completion of negotiations for implementing a Partnership Agreement between Chile and the European Union (April 2002). The summit also evaluated the progress of negotiations with MERCOSUR and analysed developments in terms of the “sufficient level of integration” that the European Union was requesting of Central America and the Andean Community, with a view to developing a negotiating mandate to sign a partnership agreement.

To date, following six bi-regional European Union-Latin America and Caribbean Summits, and the first summit between the European Union and the Community of Latin American and Caribbean States (CELAC), a partnership agreement has been signed with the European Union, Mexico, Chile, and the Central American countries.⁸⁶ Peru and Colombia have each signed a multipartite agreement,⁸⁷ while MERCOSUR has not yet completed its negotiations which began in 1999.

Accordingly, in Latin America, the situations of the Plurinational State of Bolivia and Ecuador are all that remain to be resolved (the Bolivarian Republic of Venezuela would be incorporated into the MERCOSUR negotiations) for the European Union-Latin America and Caribbean strategic partnership to be fully completed.⁸⁸

In this strategic partnership, the Caribbean receives the special treatment that the European Union grants to a number of African, Pacific and Caribbean (ACP) countries; and in the case of the Caribbean countries, an European Union-CARIFORUM partnership agreement was formalized in 2008.

2. The European Union-Latin American and Caribbean summits

In this process of building the European Union-Latin America and Caribbean strategic partnership, the bi-regional European Union-Latin America and Caribbean summits held regularly every two years since 1999 have played a pivotal role in establishing an institutional dialogue and a dynamic that is useful for strengthening cooperation through shared priorities, and in some cases also establishing specific cooperation programmes at the regional level.

The first European Union-Latin America and Caribbean summit in Rio de Janeiro in 1999 structured the institutional framework for initiating a closer political dialogue, with the aim of building a strategic partnership between the two regions.⁸⁹

⁸⁵ The European Union-Mercosur and European Union-Chile negotiations originally had simultaneous mandates but they quickly became separated because the speed of the negotiations of the two processes could not be maintained.

⁸⁶ In 1997, Mexico and the European Union agreed an Economic Partnership, Political Coordination and Cooperation Agreement, which entered into force in 2000. This Agreement was extended and fine-tuned in 2002.

⁸⁷ Following signature by the parties, the ratification process begins at the parliamentary and/or government level in each of the 27 States that currently comprise the European Union.

⁸⁸ In both cases a negotiation strategy must be followed that takes account of the results of recent agreements, in particular those negotiated individually with Colombia and Peru.

⁸⁹ At the same time as discussion began in the region on the draft Free Trade Agreement of the Americas (FTAA), launched by the United States.

The second European Union-Latin America and Caribbean summit held in Madrid in 2002 focused particularly on trade issues, and also provided an opportunity to recognize the culmination of negotiations with Chile and Mexico, to complete their respective partnership agreements, thereby launching the strategic partnership in practical form.

Although the central focus of the third summit held in Guadalajara, Mexico, in 2004 was multilateralism, cooperation assumed a special role by placing the issue of social cohesion at the centre of the bi-regional agenda, and causing cooperation priorities to focus on combating poverty and reducing inequalities. The creation of the EUROSOCIAL programme by the European Union was a practical outcome of this third Summit.

The fourth summit held in Vienna, Austria, in 2006, again focused on trade, while maintaining social cohesion as a priority on the bi-regional agenda and incorporating sustainable development and migration as new priorities. In terms of progress in signing new partnership agreements, Vienna represented the start of a long road of negotiations with Central America and the Andean Community of Nations.

The fifth European Union-Latin America and Caribbean summit, in Lima, Peru, in 2008, saw the emergence of new issues on the bi-regional agenda of food security and the fight against drugs, and also provided an opportunity to announce the creation of a new bi-regional environmental cooperation programme, EUROCLIMA.

The sixth summit was held in Madrid in 2010 under the shadow of the global economic and financial crisis, and particularly the events that were starting to emerge in Europe at that time. In terms of the signing of new partnership agreements, the completion of negotiations between the European Union and Central America, Peru and Colombia was announced, as well as the restart of negotiations with MERCOSUR. This sixth summit also announced the launch of the Latin American Investment Facilitation Programme (LAIF).

In January 2013 Santiago, Chile, hosted the first European Union-CELAC Summit (seventh European Union-Latin America and Caribbean summit), the centrepiece of which was foreign investment with social and environmental responsibility. This was the first summit in which the Latin American and Caribbean counterparts participated as a single regional organization, something which the European Union had been urging for years, to reinforce the institutionalized bi-regional dialogue.

Since the first European Union-Latin America and Caribbean summit, a plan of action has been drawn up after each summit, with the aim of listing or ranking the cooperation agreements and priorities between the two regions, and following-up on commitments made. This plan of action has been enhanced over the course of time, and currently contains eight cooperation priorities.

3. European Union official development assistance and international cooperation for the period 2014-2020

The foundations of the European Union's development cooperation policy do not change each multi-annual budgetary period,⁹⁰ but the set of "agreements and regulations", may do so, depending on circumstances. This appears to be the case in the 2014-2020 multi-annual programming exercise.

⁹⁰ The basis of the European Union's cooperation policy is Article 177 of the Treaty Establishing the European Community (EC) which states that the EC policy in the field of development cooperation shall foster "the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them, and the smooth and gradual integration of these countries into the world economy, and the campaign against poverty." Article 181a of the EC Treaty provides that the EC shall carry out "economic, financial and technical cooperation measures with third countries [...]complementary to those carried out by the member states and consistent with the development policy of the Community. [...] democracy and the rule of law."

In terms of content, the European Union's current development cooperation policy is based on the Joint Declaration of the Council, the Commission, and the European Parliament, entitled "the European Consensus on Development".⁹¹ The pillars of this policy, namely "reducing poverty in the context of sustainable development and the Millennium Development Goals, and the importance of creating a partnership with developing countries to promote good governance, human rights and democracy, to achieve fair globalization", would not change.⁹² Nor would the development assistance funds and funds earmarked for European Union co-operation at the global level, which would initially be established in the 2014-2020 multi-annual financial framework, which has been affected by the ongoing financial and fiscal crisis in Europe.

Bearing in mind these financial constraints and the desire to maintain commitments to achieve the Millennium Development Goals by 2015, together with commitments assumed on aid effectiveness in the Development Assistance Committee (DAC),⁹³ in late 2011 the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy submitted to the European Council and European Parliament, the communication "Increasing the Impact of European Union Development Policy: an Agenda for Change",⁹⁴ and the communication "The Future Approach to European Union Budget Support to Third Countries".⁹⁵ These two communications aim to respond to the development cooperation challenges currently facing the European Union, and to define the profile and content of its ODA and cooperation over the next few years.

Through the communication Agenda for Change, the European Commission has proposed that the Millennium Development Goals (particularly the fight against poverty) and governance should be at the centre of its ODA policy for 2014-2020. This Agenda for Change also seeks to focus the ODA efforts of the European Union and its member states, by incorporating criteria relating to the intervention sectors of and concentration of community ODA.⁹⁶

These new priorities will be what defines the European Union's global cooperation programming, including the geographic programmes, which are those of direct interest to Latin America in this case. The regional programme (established in the DCI), the subregional programmes and bi-national programmes for 2014-2020, should be agreed upon in 2013 to enter into force in 2014.

Although the change proposed by the European Commission is in line with the contents of the European Consensus on Development and with the commitments of the Paris Declaration, it involves a far-reaching and radical change in the treatment of European ODA targeting the so-called "middle-income countries (MICs), which in the Latin American case would particularly affect the upper middle-income countries (UMICs).

The practical effect in the region of this new classification of "ODA recipient countries" and "Partner countries", will be that over the next few years a cooperation agenda through the partnership instrument (PI) will coexist with another ODA agenda (contracts through the DCI) (see table 31).

⁹¹ DOC 46 of 24.02.2006.

⁹² Includes conflict situations and the problem faced by States in destructuring processes and the role of civil society.

⁹³ Paris Declaration on Aid Effectiveness and High Level Forums of Accra and Busan.

⁹⁴ COM (2011) 637 final. Brussels 13.10.2011. SEC (2011) 1172 final.

⁹⁵ COM (2011) 638 final of 13.10.2011.

⁹⁶ The definitive adoption by the European Union (Council and Parliament) of the new sector and geographic priorities stemming from the *Agenda for Change* will be the basis for organizing the funds of the European Union's new development cooperation policy both globally and regionally for the period 2014-2020.

TABLE 31
LATIN AMERICA AND THE CARIBBEAN: APPLICABLE FINANCIAL INSTRUMENTS
2014-2020 BY SUBREGIONAL GROUPINGS, PARTNERSHIP AGREEMENTS,
COOPERATION AGREEMENTS AND COUNTRIES

Country/groupings	Membership of CELAC	Partnership agreement with the European Union	Co-operation agreement with the European Union	Financial instrument
Central America				
SICA				
Costa Rica	YES	YES		IA
El Salvador	YES	YES		DCI
Guatemala	YES	YES		DCI
Honduras	YES	YES		DCI
Nicaragua	YES	YES		DCI
Panama	YES	YES		IA
South America				
CAN				
Bolivia (Plur. St. of)	YES		YES	DCI
Peru	YES	YES		IA
Ecuador	YES		YES	IA
Colombia	YES	YES		IA
MERCOSUR				
Argentina	YES		YES	IA
Brazil	YES		YES	IA
Paraguay	YES		YES	DCI
Uruguay	YES		YES	IA
Venezuela (Bol. Rep. of)	YES		YES	IA
Ungrouped				
Chile	YES	YES		IA
Cuba	YES			DCI -IA
Mexico	YES	YES		IA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the European Union.

Four of the six Central American countries, and two of the 10 countries of South America would be under DCI coordination; and cooperation for two Central American and eight South American countries would be coordinated under the Partnership Instrument.

4. The European Union Cooperation and Official Development Assistance Agenda proposed for Latin America for the period 2014-2020⁹⁷

As noted in the communication Agenda for Change, it is challenges relating to security, world population growth and climate change threats, compounded by natural resource scarcity,⁹⁸ which have led the European Union to rethink its relationship with its international partners.

That programme argues that the changes that have occurred in power relations internationally in recent years, among other effects, is leading a large number of countries, hitherto referred to as “developing countries”, to enter the global stage, such as the case of the BRICS (Brazil, Russia, India, China and South Africa), establishing new ways of relating to each other and the rest of the world, where in some cases, values tend to be different to those prevailing in western society.⁹⁹

⁹⁷ This has yet to be formally approved by all European Union institutions.

⁹⁸ Agenda for Change.

⁹⁹ Agenda for Change.

These countries, in addition to their demographic importance, would also play an increasingly important role in the development of other countries through trade and South-South cooperation.

Another element of crucial importance in this diagnosis has been the process affecting the immediate vicinity of Europe, known as the “Arab Spring”, together with the growing threat of exclusion for the poorest countries.

In reaction to this new scenario, the European Union through the Joint Communication of the European Commission, the High Representative for Foreign Affairs and Security Policy and the Council of the European Union to the European Parliament “Global Europe: A new approach to funding European Union external action”¹⁰⁰ responds to these concerns and defines the context in which the European Union will develop its international cooperation policy in the coming years, together with its new financial orientation.

In view of the above, the aim of the new Multiannual Financial Framework (2014-2020) for cooperation and ODA (see figure 49), is to channel community resources to where “they are most needed and where they can have greatest impact and add the most value”, seeking to ensure that “despite the economic crisis and its budgetary consequences, the European Union is able to speak with one voice, to live up to its ambitions in promoting democracy, peace, solidarity, stability and prosperity and poverty reduction, both at global level and in our immediate vicinity, and to help safeguard global public good”.¹⁰¹

This objective of enhancing the impact and add value to the ODA delivered by the European Union, forces it to prioritize and focus its efforts and resources, and its places of action, generating a “differentiated approach to partnerships and aid allocation driven by the country context.”¹⁰²

This “differentiated approach” is a core principle of the new proposal for the Agenda for Change, in which development support in Europe’s immediate vicinity (especially sub-Saharan Africa) is particularly important. Accordingly, what the European Union proposes through the differentiated approach is to ensure that ODA is allocated according to country needs, capacities, country commitments and performance, and potential European Union impact.”¹⁰³ As noted above, this new mode of allocating ODA will mean that countries will “graduate” from European Union ODA, “because they are capable of financing their own development”.¹⁰⁴

Resource allocation through the “differentiation” process is intended to maximize the impact of European Union spending in the context of a tighter budget, which is expected to be no larger than in the previous programming exercise. It would also avoid inefficiencies arising from the sectoral dispersion and fragmentation of the assistance.

The differentiation process should also enable new forms of cooperation with graduated countries, such as grants and loans, in partnership with other institutions, including the European Investment Bank (EIB) and the private sector.¹⁰⁵

The European Union’s financial instruments, based on the new proposals, should guarantee more efficient provision of cooperation and ODA, for which the European Union proposes to develop simpler rules and programming procedures, and the delivery of aid in all of its external action

¹⁰⁰ COM (2011) 865 final. Brussels, 07.12.2011.

¹⁰¹ COM (2011) 865 final. Brussels, 07.12.2011.

¹⁰² COM (2011) 865 final. Brussels, 07.12.2011.

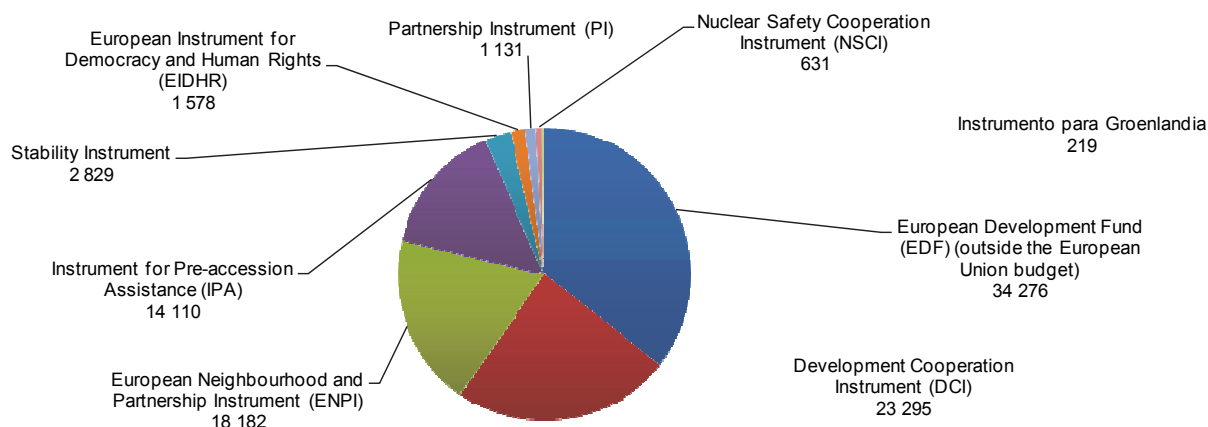
¹⁰³ Where the specific needs of vulnerable and fragile, conflict- and crisis-afflicted countries will be a priority.

¹⁰⁴ Agenda for Change.

¹⁰⁵ Agenda for Change.

instruments,¹⁰⁶ by reducing administrative charges and increasing the European Union's capacity to respond to contingencies.

FIGURE 42
RESOURCES FOR EXTERNAL RELATIONS IN THE MULTI-ANNUAL
FINANCIAL FRAMEWORK 2014-2020
(Millions of euros)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the European Commission. ec.europa.eu/europeaid/howfinance/mff/financial_framework_news_es.htm.

It is also intended to make the programming process simpler and more flexible, to enable it to react more effectively to potential changes and facilitate joint programming with the member states.¹⁰⁷

As was a case in the current programming exercise, the 2014-2020 fund programming will be based on the Regional Strategy Paper (RSP) and Country Strategy Papers (CSPs), definitely with a multi-annual allocation for countries that remain in the DCI.

The strategy documents (RSP and CSP) will be used as the basis for multi-annual indicative programmes or their equivalent, at all levels, including subregional.

5. The priorities and areas of cooperation proposed for the 2014-2020 programming period

According to the proposal contained in the Agenda for Change, in the forthcoming programming period the European Union will focus its development cooperation (ODA) through the DCI on the following two priorities, in addition to combating poverty and fulfilling the Millennium Development goals: (a) human rights, democracy and other key elements of good governance; and (b) inclusive and sustainable growth (see table 31).

a) Human rights, democracy and other key elements of good governance¹⁰⁸

The European Union will seek to provide a more relevant cooperation to support governance through “incentives for results-oriented reform and a focus on partners’ commitments to human rights,

¹⁰⁶ Proposed Regulation “establishing common rules and procedures for the implementation of the Union’s instruments for external action.” COM (2011) 638 Final. Brussels 13.10.2011.

¹⁰⁷ The Treaty of Lisbon (based on Article 290 of the Treaty on the Functioning of the European Union –TFEU) establishes a clear obligation for the European Union and its Member States to coordinate their policies on foreign affairs, including development cooperation.

¹⁰⁸ Agenda for Change.

democracy and the rule of law and to meeting their peoples' demands and needs.”¹⁰⁹ To attain this objective, it will use an approach based on vertical dialogue with all stakeholders.

The mix and level of aid will depend on the country's situation, including its ability to conduct reforms. Support for governance may take the form of “programmes or project based interventions to support actors and processes at local, national and sectoral level.”¹¹⁰

The actions of the European Union will target its support on:

Democracy, human rights and the rule of law

Support “democratization, free and fair elections, the functioning of institutions media freedom and access to Internet, protection of minorities, the rule of law and judicial systems in part the countries.”¹¹¹

Gender inequality and the empowerment of women

Support for women as “development actors and peace-builders”¹¹² will be mainstreamed in all European Union development policies and programmes through its 2010 Gender Action Plan.

Public sector management for better service delivery

Support national programmes to improve policy formulation, public financial management, including the setting up and reinforcement of audit, control and anti-fraud bodies and measures, and institutional development, including human resource management.¹¹³

Tax policy and administration

Continue to promote fair and transparent domestic tax systems for each country, in line with principles of good governance in the tax area, alongside international initiatives and country by country reporting to enhance financial transparency.

Corruption

Help partner countries tackle corruption through governance programmes that support advocacy, and awareness raising and reporting an increase the capacity of control and oversight bodies and the judiciary.

Civil society and local authorities

Building on the “structured dialogue”,¹¹⁴ links with several social organizations, social partners and local authorities will be strengthened, through regular dialogue and use of best practices. Organized civil society will be supported to be able to act as a watchdog and partner in dialogue with national governments.

Natural resources

Support for oversight processes and bodies will be scaled up, and continued support will be provided for governance programmes that promote the sustainable and transparent management of

¹⁰⁹ Agenda for Change.

¹¹⁰ Agenda for Change.

¹¹¹ Agenda for Change.

¹¹² SEC (2010) 265 final.

¹¹³ For this the European Union considers national reforms and fiscal policies in favour of the poor to be vital.

¹¹⁴ http://ec.europa.EU/europeaid/OMS/socios/de_la_sociedad_civil/structured-dialogue_en.htm.

natural resources, including raw materials and maritime resources, and ecosystem services, with particular attention to the dependence of the poor on them, especially small-scale farmers.

Development-security nexus

Steps will be taken to ensure that objectives in the fields of development policy, peace building, conflict prevention and international security (including cyber security) are mutually reinforcing.

b) Inclusive and sustainable growth for human development.

The European Union will focus its support on those sectors which build the foundations for growth and help ensure that it is inclusive, notably social protection, health and education, in a stronger business environment and deeper regional integration, on sectors that have a strong multiplying impact on developing countries economies and contribute to environmental protection, climate change convention and adaptation, notably sustainable agriculture and energy.”¹¹⁵

The European Union’s actions on this priority should focus on:

Social protection, health and employment.¹¹⁶

Support sector reforms and increase access to quality health and education services and strengthen local capacities to respond to global challenges through “sector reform contracts” will intensify policy dialogue.

Take action to develop and strengthen health systems, reduce inequalities in access to health services, promote policy coherence and increase protection against global health threats, so as to improve health outcomes for all.

Support quality education to give young people the necessary skills through capacity building an exchange of knowledge. Support vocational training for employability and capacity to carry out and use the results of research.

Business environment, regional integration and world markets.¹¹⁷

Support the development of competitive local sector (building local institutional and business capacity), promoting SMEs and cooperatives.

Support legislative and regulatory framework reforms facilitating access to business and financial services.

Promote agricultural, industrial and innovation policies.

Develop new ways of engaging with the private sector, notably with a view to leveraging activities and resources for delivering public goods.¹¹⁸

Support regional and continental integration efforts (including South-South initiatives) through cooperation policies in areas such as: markets, infrastructure and cross-border cooperation on water, energy and security.¹¹⁹

¹¹⁵ Agenda for Change.

¹¹⁶ Agenda for Change.

¹¹⁷ Agenda for Change.

¹¹⁸ It will explore up-front grant funding and risk-sharing mechanisms to catalyse public-private partnerships and private investment. The European Union should only invest in infrastructure, where the private sector cannot do so on commercial terms.

¹¹⁹ Support will be offered to tackle competitiveness gaps, as part of Aid for Trade activities, Economic Partnership Agreements and other free trade agreements with developing regions.

Sustainable agriculture and energy.¹²⁰

Support developing countries to cope with shocks (scarcity of resources, price volatility) and thus help lay the foundations for sustainable growth.¹²¹

Support sustainable practices, including the safeguarding of ecosystem services, giving priority to locally developed practices and focusing on smallholder agriculture and rural livelihoods, formation of producer groups, the supplier marketing chain, and government efforts to facilitate responsible private investment. Continue working on strengthening nutritional standards and food security governance and reducing food price volatility at international level.

In the energy sector the aim would be to offer technology and expertise (along with development funding) and target three main challenges: price volatility and energy security; climate change, including access to low carbon technologies; and access to secure, affordable, clean and sustainable energy services.

In both sectors, support will be provided for capacity development and technology transfer in the field of climate change adaptation and mitigation strategies. The aim is to seek long-term partnerships with developing countries, based on mutual accountability.

TABLE 32
AGENDA FOR CHANGE: POLICY PRIORITIES

Democracy, human rights and governance	Inclusive and sustainable growth for human development
Democracy, human rights and the rule of law	Business environment, regional integration and access to world markets (competition policies, incentives for FDI, PPP, CSR, innovative financial instruments...)
Equality between women and men and training for women	Sustainable agriculture and energy (technology transfer, use of low carbon energy sources, climate change mitigation, disaster vulnerability...)
Public sector governance	Social protection, education, health (sectoral reform contract), decent jobs
Tax policy and administration	
Fight against corruption	
Civil society and local stakeholders	
Natural resource management	
Link between development and security	

Source: Jose Antonio Sanahuja. América Latina en la cambiante política de cooperación al desarrollo de la Unión Europea, 2012

6. Countries eligible for European Union ODA, 2014-2020

As noted above, for this new stage, the European Union will adopt a “differentiated” approach in geographically allocating its assistance and partnerships, with the aim of maximizing impact and effectiveness. Accordingly, it will seek to “target its resources where they are needed most to address poverty reduction and where they could have greatest impact”,¹²² such that cooperation based on subsidies (ODA) should not feature in geographic cooperation with more advanced countries.¹²³

¹²⁰ Agenda for Change.

¹²¹ Inequalities should be tackled, in particular to give poor people better access to land, food, water and energy without harming the environment.

¹²² Inequalities should be tackled, in particular to give poor people better access to land, food, water and energy without harming the environment.

In view of these considerations, ODA would be allocated on the basis of:

- Country needs: according to indicators such as “economic and social/human development trends and the growth path as well as vulnerability and fragility indicators.”
- Capacities: “assessed according to a country’s ability to generate sufficient for natural resources, notably domestic resources, and its access to other sources of finance such as international markets, private investment or natural resources.”
- Country commitments and performance: investment in education, health, democracy and good governance, and the soundness of its economic and fiscal policies, including financial management.
- Potential impact of European Union ODA: assessed through two objectives:
 - Increasing the extent to which community cooperation could promote and support political, economic, social and environmental policy reforms in partner countries;
 - Increasing the leveraging effect that European Union aid could have on other sources of finance for development, in particular private investment.¹²⁴

The European Union should define the most appropriate form of cooperation through political dialogue, for decision-making on the most effective policy mix, aid levels, and the use of new and existing financial tools.

For some countries, the application of these new criteria¹²⁵ may result in less or no European Union development grant aid, and, in the latter case, the pursuit of a different development relationship based on the new partnership instrument, which could include loans, technical cooperation, or trilateral cooperation.¹²⁶

In the DCI framework, it is proposed that 17 upper middle-income countries (UMICs)¹²⁷ and two lower middle income countries (LMICs) with a GDP of more than 1% global GDP,¹²⁸ would form part of these new partnerships not based on bi-national ODA.

Based on these criteria, the countries that would graduate from European Union bilateral ODA in Latin America and could continue participating in the activities of the thematic, regional and subregional programmes as from 2014, would account for 11 of the 17 countries graduating worldwide.

Seven Latin American countries will continue to be eligible for European Union bilateral ODA (DCI) as from 2014 (see map 1).

¹²³ In this context, the priority would be work with countries in its own vicinity and in sub-Saharan Africa, paying special attention to fragile states.

¹²⁴ Agenda for Change.

¹²⁵ The Commission’s proposal is to initiate this process of “differentiation” with countries eligible for the DCI and the European Instrument of Vicinity and Partnership (EIVP).

¹²⁶ Agenda for Change.

¹²⁷ Countries outside Latin American would be the People’s Republic of China, Kazakhstan, Iran, Malaysia, the Maldives and Thailand.

¹²⁸ India and Indonesia.

MAP 1
COUNTRIES ELIGIBLE FOR DCI AND PI IN LATIN AMERICA 2014-2020



Source: Prepared by the authors on the basis of EuropeAid.

Note: The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations

7. Financial instruments for cooperation with Latin America, 2014-2020

The instruments to be applied in Latin America for the 2014-2020 programming exercise under the new proposals would therefore be the following:

a) Revised Development Cooperation Instrument (DCI)

The Development Cooperation Instrument (DCI) will focus particularly on the fight against poverty and on promoting socially and environmentally sustainable economic development, along with the promotion of democracy, the rule of law, good governance and respect for human rights.¹²⁹

¹²⁹ See section 5 of this chapter.

The ICD will be organized around:

- Geographic programmes to support bilateral and regional cooperation with developing countries (not covered by the European Neighbourhood Instrument (ENI), the Instrument for Pre-Accession Assistance (IPA) and the European Development Fund (EDF)). The dominant approach will address the following:
 - The needs and priorities of partner countries (ensuring their participation), in line with the commitments on aid effectiveness.
 - Simplification of the thematic programmes by affording them greater flexibility to respond rapidly to new global challenges.
- Thematic Programmes, which would be reduced to two:
 - Global public goods and challenges: This programme should address major global public goods and challenges, in particular climate change, environment, energy, human development, food security and migration, consistent with the objective of poverty reduction. No more than 25% of this programme would be spent on climate change and environmental objectives; and at least 20% would support social inclusion and human development.
 - Civil society organizations and local authorities: This programme will provide greater support for civil society and local authorities to encourage these actors to play a greater role in development strategies

b) Partnership instrument (PI)

The Partnership Instrument (PI)¹³⁰ is the most important innovation of the package of external policy instruments for the period 2014-2020. It replaces the Instrument for Cooperation with Industrialized Countries¹³¹ and should allow the European Union to respond more effectively and more flexibly to the objectives of cooperation in relation to the problems of global interest that arise with partner countries.

The PI would have a global reach, particularly targeting emerging economies and countries in which the European Union has significant interests. It would also support new relations with ODA graduate countries and those graduating in the future. This partnership instrument is open to all countries.¹³²

Its overall objective is to encourage and promote the interests of the European Union by supporting the external dimension of domestic policies (migration, competitiveness, research and innovation) and address major global challenges: energy, climate change and the environment. The PI should enable the European Union and its Member States have a greater impact on the political and economic alliances in which they participate and to fulfill the commitments made in various forums (see Table 33).

¹³⁰ European Union Regulation No. 1338/2011 amending Regulation (EC) No. 1934/2006 establishing a financing instrument for cooperation with industrialized and other high-income countries and territories.

¹³¹ European Union Regulation No. 1338/2011 amending Regulation (EC) No. 1934/2006 establishing a financing instrument for cooperation with industrialized and other high-income countries and territories.

¹³² As this instrument does not require expenditure to be classified as ODA, it is open to all third countries.

TABLE 33
OBJECTIVES AND PRIORITIES OF THE PARTNERSHIP INSTRUMENT (PI)

Objectives	
• Application of the international dimension of the Europe 2020 strategy, supporting strategies European Union partnership for cooperation, regional and bilateral political dialogue and promoting developing collective approaches and responses to global challenges such as energy security, climate change and the environment. • Improved market access and business development opportunities, investment and trade for European companies, in particular SMEs, through economic partnerships and business cooperation and in regulation.. • Greater understanding and visibility of the Union and its role on the world stage through public diplomacy, education / academic cooperation and outreach activities to promote the interests and values of the Union.	
Areas of cooperation	
• Support specific initiatives, including research work, studies, pilot programmes or projects designed to respond flexibly and effectively, cooperation objectives arising from the Union's relations with third countries involved. • Promotion of cooperation, partnerships and joint undertakings between economic, social, cultural, governmental and scientific of the Union and third countries. • Facilitation (and support) of trade relations and trade integration processes, including south-south, support investment flows and economic associations of the Union, including a focus on small and medium enterprises. • Promotion policy and sectoral dialogue involving NGOs and political, economic, regulatory, environmental, social, and cultural research of the Union and non-Union. • Promoting outreach, intellectual exchanges and intensification of intercultural dialogue. • Promotion of initiatives and actions of the union or mutual interest in areas such as climate change, environmental issues, including biodiversity, resource efficiency, raw materials, energy, transport, science, research and innovation, employment and social policy, sustainable development, including the promotion of decent work and corporate social responsibility, cooperation and South-South trade, education, culture, tourism, information technology and communication, health, justice, the Customs staff, taxation, financial, statistics and any other matter affecting the Union's specific interests or mutual interest between the Union and third countries. • Improved perception of the European Union and the understanding of its activities and increase its visibility in <i>third countries</i>.	

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on information from the European Union.

The Partnership Instrument will be able to support actions on climate change, the protection of intellectual property rights, the fight against organized crime and piracy, environmental protection, and greater market access to ensure energy security without the pre-allocation of funds. European Union's intention is not to withdraw from the countries that will not receive bilateral ODA funds, but the idea is to create new partnerships with them, based on mutual interests:

- a) To promote European Union values and project its policies abroad to address global issues such as climate change, global food security, irregular migration and regional instability
- b) To strengthen economic, technological and business cooperation, promote convergence in trade, investment and regulation; and
- c) To participate in trilateral cooperation to reduce poverty in less successful countries

Countries entering these new partnerships will continue to receive funding from the DCI only for their participation in regional and thematic programmes (regional programmes).

8. Cooperation sectors in the partnership agreements and the application of financial cooperation instruments, 2014-2020

After nearly 15 years and seven bi-regional summits, a network of partnership and co-operation agreements has been built that reflects an extensive thematic range of cooperation, covering nearly all topics of interest for the two parties, making it possible to initiate any action or cooperation project, overcoming the administrative formal barrier that arises in the absence of the appropriate instruments to undertake such actions.

Today, apart from having a partnership or cooperation agreement, all Latin American countries can include, in their priorities for cooperation with the European Union, issues of democracy, human rights and good governance, justice, security, economic development, social development and social cohesion, migration, environment, natural disasters, climate change, regional integration, cultural and audiovisual cooperation and the knowledge society.

Table 33 sets out the areas of cooperation, according to the agreements signed (partnership or cooperation) between the European Union and the countries of Latin America, and the cooperation instruments applicable in the region as from 2014. Partnership agreements encompass new areas of cooperation for countries such as Chile, Mexico and Central American countries, which could be covered under the new Partnership Instrument, making it possible to address topics that go beyond traditional ODA and were not covered by the DCI, such as trade facilitation, economic development, knowledge society, culture, etc. (see table 34).

B. Sharpening the focus. A new approach to determine vulnerabilities based on structural development gaps

1. Structural development gaps

Considering the forthcoming changes in the European Commission's development assistance policy, particularly in the aid allocation process, together with the implementation of new cooperation instruments, such as the Partnership Instrument, it is important to consider the ECLAC proposal concerning the structural gaps faced by the region's countries in their development path, and take account of these gaps, apart from the countries' current per capita income, when support is allocated.

The identification and quantification of the relative magnitude of the different gaps at the country level is a first step in determining where the greatest challenges of the economies of the region lie, and which areas should be incorporated into a new development cooperation agenda that fully encompasses them. All of this aims to achieve make development cooperation more effective and efficient.

Following the work done by ECLAC on the basis of the document *Time for equality: closing gaps, opening trails*,¹³³ ECLAC has proposed an alternative, inclusive and integrated approach to assess the long-term challenges and areas of greatest vulnerability in Latin America and the Caribbean, which mostly consists of middle-income countries, as a way to target ODA in the region more effectively.¹³⁴

Under the ECLAC proposal, development requires overcoming the endemic backwardness of production through innovation and investment in physical capital —basically human capital— to increase productivity and enhance systemic competitiveness, while also strengthening institutions and consolidating democracies. This means overcoming a large number of obstacles, or, to be more precise, structural development gaps, that still persist and not only hinder the dynamic and sustainable economic growth of the region's countries, but also restrict possibilities for moving towards more inclusive economies and societies.

¹³³ Economic Commission for Latin America and the Caribbean (ECLAC), *Time for Equality: Closing Gaps, Opening Trails* (LC/G.2432 (SES.33 / 3), Santiago, Chile, 2010).

¹³⁴ Economic Commission for Latin America and the Caribbean (ECLAC), *Middle-Income Countries: A Structural Gap Approach*, Note by the Secretariat. LC/G.2532 (SES.34/11).

TABLE 34
EUROPEAN UNION AND LATIN AMERICAN COUNTRIES: SECTORS OF COOPERATION
IN THE PARTNERSHIP/COOPERATION AGREEMENTS

Priorities/countries	SV	GT	HN	NI	BO	PY	CU	MX	CL	CR	PA	CO	PE	EC	AR	BR	UY	VE
Cooperation agreement	AA	AA	AA	AA	AC	AC	AC	AA	AA	AA	AA	AA	AA	AC	AC	AC	AC	AC
Partnership agreement	AA	AA	AA	AA	AC	AC	AC	AA	AA	AA	AA	AA	AA	AC	AC	AC	AC	AC
Democracy, human rights and good governance																		
Democracy and human rights	X	X	X	X	X			X	X	X	X	X	X	X				X
Good governance	X	X	X	X	X			X	X	X	X	X	X	X				X
Modernization of the state	X	X	X	X	X			X	X	X	X	X	X	X				X
Prevention and resolution of disputes	X	X	X	X	X			X	X	X	X	X	X	X				X
Institutional strengthening	X	X	X	X				X	X	X	X							
Justice, freedom and security																		
Protection of personal data	X	X	X	X	X			X	X	X	X	X	X	X	X	X	X	X
Fight against illicit drugs	X	X	X	X	X				X	X	X	X	X	X				
Fight against money laundering...	X	X	X	X	X			X	X	X	X	X	X	X				
Organized crime...	X	X	X	X				X	X	X	X							
Fight against corruption	X	X	X	X				X	X	X	X							
Fight against arms trafficking...	X	X	X	X				X	X	X	X							
Fight against terrorism...	X	X	X	X	X			X	X	X	X	X	X	X				X
Social development and social cohesion																		
Social cohesion, poverty	X	X	X	X	X			X	X	X	X	X	X	X				X
Employment and social protection	X	X	X	X	X			X	X	X	X	X	X	X		X		X
Education and training	X	X	X	X	X			X	X	X	X	X	X	X				X
Public health	X	X	X	X	X			X	X	X	X	X	X	X				X
Indigenous peoples and other ethnic Groups	X	X	X	X	X			X	X	X	X	X	X	X				X
Vulnerable groups	X	X	X	X	X			X	X	X	X	X	X	X				X
Gender	X	X	X	X	X			X	X	X	X	X	X	X				X
Youth	X	X	X	X	X			X	X	X	X	X	X	X				X
Migration																		
Migration	X	X	X	X	X			X	X	X	X	X	X	X				X
Environment: natural disasters and climate change																		
Cooperation on the environment	X	X	X	X				X	X	X	X	X	X	X	X	X		
Management of natural disasters	X	X	X	X	X			X	X	X	X	X	X	X				X
Economic development and trade																		
Competition policies	X	X	X	X	X			X	X	X	X	X	X	X				X
Customs cooperation	X	X	X	X	X			X	X	X	X	X	X	X		X		X
Trade facilitation	X	X	X	X	X			X	X	X	X	X	X	X				X
Intellectual property	X	X	X	X	X			X	X	X	X	X	X	X				X
Electronic commerce and services	X	X	X	X	X			X	X	X	X	X	X	X				X
Barriers to trade	X	X	X	X	X			X	X	X	X	X	X	X				X
Public sector procurement	X	X	X	X	X			X	X	X	X	X	X	X				

Table 34 (concluded)

Priorities/countries	SV	GT	HN	NI	BO	PY	CU	MX	CL	CR	PA	CO	PE	EC	AR	BR	UY	VE
Cooperation agreement	AA	AA	AA	AA	AC	AC	AC	AA	AA	AA	AA	AA	AA	AC	AC	AC	AC	AC
Partnership agreement	AA	AA	AA	AA	AC	AC	AC	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
Fishing agriculture	X	X	X	X	X			X	X	X	X	X	X	X				X
Handicraft products	X	X	X	X				X	X	X	X							
Organic products	X	X	X	X				X	X	X	X							
Food security	X	X	X	X				X	X	X	X							
Trade and sustainable development	X	X	X	X				X	X	X	X							
Industrial cooperation	X	X	X	X	X			X	X	X	X	X	X	X				X
Energy and renewable energy	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Mining	X	X	X	X				X	X	X	X							
Fair and sustainable tourism	X	X	X	X				X	X	X	X	X	X	X	X	X	X	X
Transport	X	X	X	X	X			X	X	X	X	X	X	X	X	X	X	X
Fiscal governance	X	X	X	X				X	X	X	X							
SMEs	X	X	X	X				X	X	X	X	X	X	X	X	X	X	X
Business cooperation	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Co-operation in micro finance	X	X	X	X				X	X	X	X	X	X	X	X	X	X	X
Regional integration																		
Regional integration	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Regional cooperation	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Triangular cooperation									X									
Cultural and audiovisual cooperation																		
Cultural and audiovisual cooperation	X	X	X	X		X		X	X	X	X			X	X	X	X	X
Knowledge society																		
Information Society	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Scientific and technological cooperation	X	X	X	X		X		X	X	X	X			X	X	X	X	X
Co-operation in statistics					X	X						X	X	X	X	X	X	X
Development cooperation instrument (DCI)																		
Partnership instrument (PI)																		

Source: Prepared by the authors on the basis of agreement signed by the European Union with Latin American countries.

These gaps include:

- per capita income,
- inequality,
- poverty
- investment and savings,
- productivity and innovation,
- infrastructure,
- education,
- health
- taxation,
- gender
- environment.

The gaps approach not only includes the income gap and other issues on the development agenda of the Millennium Development Goals, but also incorporates many other areas that characterize some of the region's main development problems.

(a) The need for political dialogue at various levels

The gaps approach proposed by ECLAC reflects the variety and heterogeneity of development needs in Latin America and the Caribbean. At the same time, it stresses that there is no single hierarchy; and, in fact, the identification and ranking of priorities stem from the individual decisions of the countries of the region.

Accordingly, recipient countries must take an active role in setting development goals. It is up to them to identify which areas face the greatest needs and the greatest development challenges in each country, and is a key initial step into making the system of international cooperation support to all countries on their development path. This more active role must be based on the establishment of spaces for political dialogue and for forging consensus and agreements at different levels of the international cooperation system, so that aid flows are channeled efficiently and respond to the needs of countries through agreements. This requires discussions to be held at various levels.

Firstly, a political dialogue needs to be promoted among the international donor community to establish the general framework for discussing a global development agenda, which, far from standardizing countries' development problems, takes account of their diversity and specifics. This means generating a development agenda that embraces the challenges of all countries and forms the basis on which the international cooperation system organizes its support.

Although international forums in which political dialogue plays an important role do exist, they have been dominated by the so-called "Programme to increase aid effectiveness", which has been consolidated over the years and, as the name implies, has put aid effectiveness at the centre of the debate.

Secondly, political dialogue is needed at the level of donors and recipients, where a thorough discussion is made of the development challenges being faced, and on that basis, agreements are reached that define the priority areas and forms of the cooperation. At this second level, dialogue is necessary for donors to adopt the development vision as a broad concept and be able to articulate the strategies best suited to each situation, in conjunction with the partner countries that receive the cooperation. From the perspective of the latter, a good strategy would be for the countries themselves to propose the gaps to be prioritized in the first instance, and then develop specific policy proposals and ways in which international cooperation could provide support.

This second level of dialogue needs also to include the principle of ownership, which means recipient countries taking the lead in establishing their own national development plans and policies and the principle of alignment, whereby donors are encouraged to base their support on the national development strategies of the partner-recipient countries, through political agreements that made these principles operational, thus making the cooperation more efficient and also more effective.

At a third level, it is also important to establish the procedures through which cooperation between donors and recipients is channelled.

For example, in countries where ODA is a very small percentage of gross national income, this amount is naturally channeled directly and targets very specific problems, thus avoiding dispersion over a wide range of needs. In contrast, in countries where ODA is a significant proportion of income, cooperation can help support broader objectives within the recipient countries' development agenda.

In these cases, the programmatic type of cooperation, including national budget support among other mechanisms, make more sense.

In short, the political dialogue that includes identifying development priorities and the most urgent gaps, is a crucial element of the ECLAC approach, as also is political dialogue that includes identifying the most suitable and appropriate forms of cooperation.

In fact, irrespective of the quality of the process of detecting needs and challenges, the potential provided by cooperation in its different forms and modalities is unlikely to be fully exploited in the absence of a political dialogue, since coordination failings can arise that result in donors targeting gaps that are not the most urgent for the recipient country.

(b) Definition of the gaps

To evaluate the countries' development needs, a number of indicators were selected which, as far as possible, served as proxies for each of the gaps described, and the magnitude of each one was calculated for each country

The analysis shows that the ranking and classification of countries by income gaps do not coincide with those obtained in terms of the other gaps. This shows that a country ranking that only takes account of the per capita income gap is a very limited and subjective reflection of the true needs and vulnerabilities facing the countries. Moreover, reducing the income gap does not necessarily imply an improvement in the other gaps.

Secondly, there is no clear and predefined order in which individual countries can be said to have smaller or larger gaps overall in the group of indicators considered. The relative weight of the different gaps differs for each country, with some being very significant in one country but less important in another, and vice versa.

By using the income gap to identify country groups, the classification that currently prevails in the logic of the cooperation system has an implicit weighting that gives fundamental importance to that gap. Moreover, and as a consequence, an international cooperation system that considers this gap as a central element, does not necessarily reflect the development challenges of a broad set of countries that could have relatively better performance in terms of income but a long way to go in terms of development.

Accordingly, there is no "one" correct ranking of middle-income countries in the region, but as many rankings as there are criteria to determine the main development obstacles in each case, and, consequently, the specific gaps that should be taken into consideration and assigned a greater weight.

Therefore, for the cooperation system to be able to provide a comprehensive response to the problem of development, without excluding middle-income countries merely because they are classified as such, the focus needs to shift from per capita income to a more comprehensive and holistic approach.

The gaps approach proposed by ECLAC reflects the variety and heterogeneity of development needs in Latin America and the Caribbean; and it emphasizes that there is no single hierarchy and that the identification and ranking of priorities depend on the individual decisions of region's countries.

Accordingly, and as the importance of the gaps for different countries may differ according to priorities and objectives, dialogue between donor and recipient countries should be strengthened, with the latter playing a proactive role in determining the areas to be prioritized and the ways in which official assistance should be channelled.

In short, the political dialogue that includes identifying the most pressing development priorities and gaps is a crucial element of the approach being proposed, as is the political dialogue that includes identifying the most suitable and appropriate modalities of the cooperation to be provided.

In fact, irrespective of the quality of the process of detecting needs and challenges, the potential provided by cooperation in its different forms and modalities is unlikely to be fully exploited in the absence of a political dialogue, since coordination failings can arise that result in donors targeting gaps that are not the most urgent for the recipient country.

Gaps:

1. Per capita income

Per capita GDP in the region, in the period between 1990 and 2008, when the global crisis began, shows weak growth of 1.7 % — far below that recorded in eastern Asia (4.1%) and the United States, which have per capita income levels that are almost five times that of the region. This means that the per capita GDP gap between the countries of the region and developed countries, instead of narrowing, has actually widened.

2. Inequality

While improvements have been achieved in recent years, most Latin American and Caribbean societies still suffer profound social inequality, which in turn reflects a highly concentrated distribution of ownership and extreme productive heterogeneity.

The level of inequality in the income distribution that characterizes the countries of the region can be seen by comparing the ratio of incomes between the richest decile and the poorest decile. Average income per household in the tenth decile is about 34 times that of households in the poorest decile. In comparison, this ratio for the G-7 is 12 to 1.

3. Poverty

After several years of progress on poverty reduction, the region has not yet overcome this scourge, which is aggravated by poor income distribution, resulting from major inequalities of origin, a light tax burden, the states' poor redistribution capacity and precarious labour markets, which tend to increase inequalities of origin, whether of class, gender, age or ethnicity.

4. Investment and saving

The rate of capital formation, a key element for sustained growth, has been very low in the region compared to other successful emerging economies. Moreover, national saving, which should have a key role in its financing, has also stalled at levels below those of other developing regions as a percentage of gross domestic product.

5. Productivity and innovation

Productivity gaps both reflect and reinforce gaps in capacities, the incorporation of technical change, access to social protection networks and opportunities for upward job mobility throughout a person's working life. As low-productivity sectors find it difficult to innovate, adopt technology and promote learning processes, internal heterogeneity exacerbates the problems of systemic

competitiveness, generating not only vicious circles of poverty and sluggish growth, but also slow rates of learning and weak structural change.

Productivity increases are closely related to greater productive investment and greater capacity to close the technological and innovation gap with the more advanced countries. Nonetheless, the region's innovation policies face a major challenge in this regard. In conjunction with other policies (industrial, educational and macroeconomic), they need to help generate an environment of rapid learning and structural change towards technologically more dynamic sectors

6. Infrastructure

The region has persistent infrastructure gaps and urgent needs for more physical capital. In several countries, the fiscal adjustments made over the last few decades have undermined public investment, and accentuated the widening gap with countries that did not neglect this type of investment. To give impetus to a country based on productive development, it is necessary to avoid the bias of public investment in general State budgets, so that investment in infrastructure does not suffer.

7. Education

A society with high levels of education has a better basis for timely incorporation of technical progress, innovation and increases in productivity and competitiveness. A strategy for equality in education should be a priority to expand the coverage of preschool and lengthen the school day in public education, promote secondary education among members of lower socioeconomic sectors and reduce the gaps in learning and knowledge acquired in the education cycle.

8. Health

A society that universalizes timely access to health care reduces the costs associated with disease, which range from reductions in productivity to expenses arising from morbidity. Nonetheless, the region continues to display a highly segmented access to mechanisms for insuring against risk and vulnerability, which, for example, includes very unequal access to healthcare.

9. Taxation

Reducing poverty and improving the income distribution in Latin America and the Caribbean will not achieve significant and sustained improvement without active tax policies that affect the quality and distribution potential of markets. In most countries, the current level and structure of the tax burden are inadequate for modernizing productive structures and achieving greater social equality.

10. Gender

Gender inequalities are manifested, first, in various forms of discrimination in the workplace (lower pay, more unemployment and less protected employment), and, secondly, the lack of pay and recognition for the care economy, which plays a key role in social reproduction and is predominantly undertaken by women.

11. Environment

The region's countries have a long way to go to make their development pattern consistent with productive convergence that is sustainable through time. It is therefore essential to preserve "environmental sustainability", through a process of structural change that makes it possible to reduce productivity differences with respect to the most developed countries.

2. Structural development gaps and European Union cooperation funds in Latin America, 2007-2013

To apply the gaps approach as proposed by ECLAC, the sectors of execution of bilateral funds, in the European Commission's 2007-2013 annual programming of cooperation in Latin America, have been

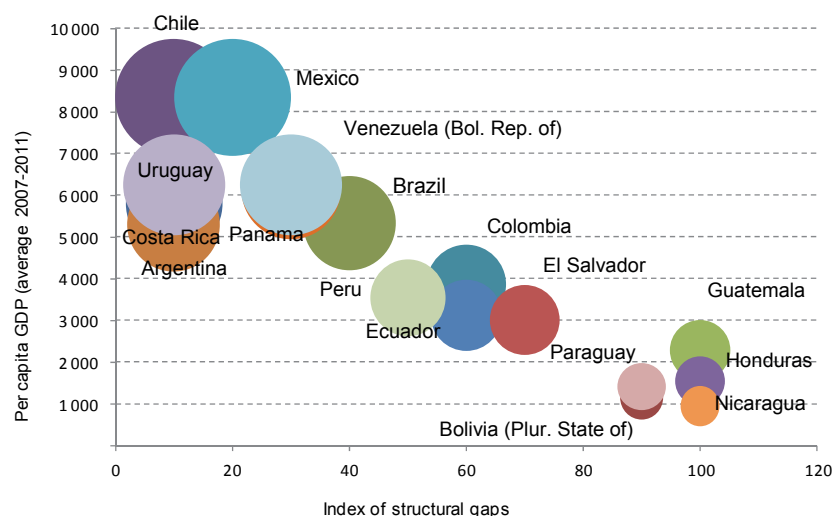
located using the indicators proposed by ECLAC for calculating the structural development gaps in the region's countries.

The exercise undertaken aims to merely provide an overview of the funds executed by the European Union, and is not intended as an analysis of their effectiveness, or as a way of evaluating their impact in each country.

Firstly, the location of the 17 countries of the region has been established,¹³⁵ considering all of the structural development gaps in each case and their respective GDP, to form three country groupings or clusters. The first group contains countries with a higher GDP and less gaps (total gaps): Chile, Mexico, Uruguay, the Bolivarian Republic of Venezuela, Uruguay, Argentina, Costa Rica, Panama and Brazil. A second group contains Colombia, Peru, Ecuador and El Salvador; and a third group contains Guatemala, Nicaragua, Honduras, Paraguay, and the Plurinational State of Bolivia (see figure 43).

Secondly, the countries have been located on the basis of funds executed in official development assistance provided by the European Union in its 2007-2013 multi-annual financial programming, in relation to their structural gaps, thus forming three groups or clusters. The first group consists of Argentina, Uruguay, Mexico, Costa Rica, Chile, the Bolivarian Republic of Venezuela the hand Panama. A second group comprises Brazil, Peru, Ecuador, El Salvador and Colombia; and lastly, the third group consists of the Plurinational State of Bolivia, Honduras, Nicaragua, Guatemala and Paraguay (see figure 44).

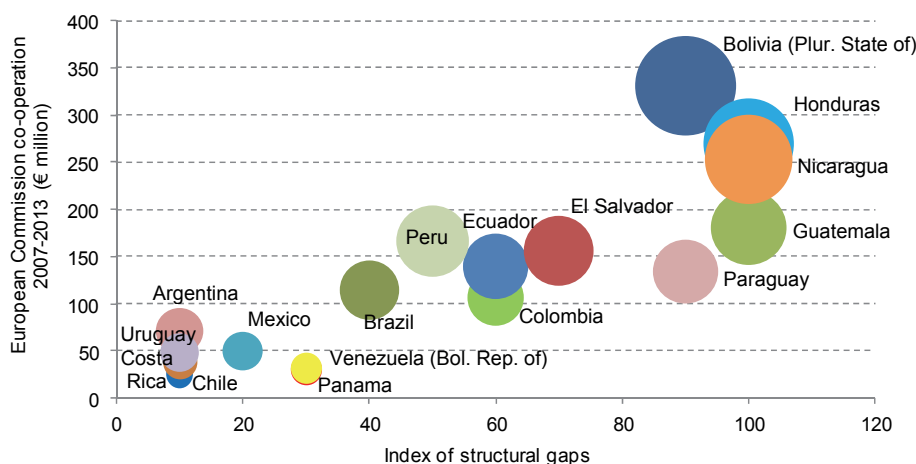
FIGURE 43
LOCATION OF THE COUNTRIES CONSIDERING THE EUROPEAN UNION'S EXECUTED BILATERAL CO-OPERATION FUNDS AND THEIR RELATION TO AVERAGE PER CAPITA GDP IN EACH COUNTRY (2007-2011)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

¹³⁵ As a specific data series is needed to calculate each gap, it has not been possible to include Cuba in this exercise, since many of necessary data do not exist for that country.

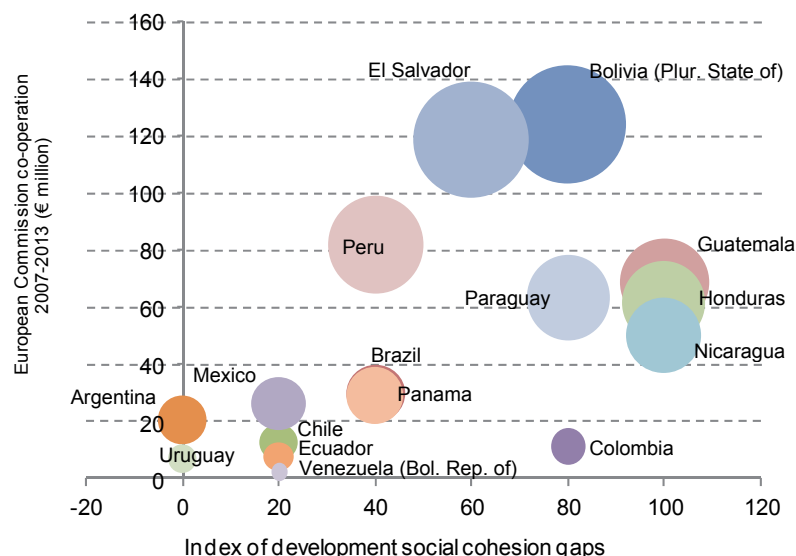
FIGURE 44
LOCATION OF THE COUNTRIES IN TERMS OF THEIR EXECUTION OF EUROPEAN UNION BILATERAL CO-OPERATION FUNDS IN RELATION TO THEIR STRUCTURAL GAPS



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Considering the development and social cohesion variable with respect to the European Union's bilateral funds, the following groups can be defined: the first contains Honduras, Guatemala and Nicaragua, which display the largest gaps in that area. The second group consists of Paraguay, the Plurinational State of Bolivia and El Salvador, which are clearly the main beneficiaries of European ODA targeting that area. The third group of countries comprises Peru, Panama and Brazil, with an average gap level and assistance that varies between € 20 million and € 60 million. A fourth group comprises countries that display small or minimal gaps in that area: Chile, Ecuador, Mexico, Uruguay, Argentina and the Bolivarian Republic of Venezuela. Colombia has a gap at levels similar to countries such as Bolivia and Paraguay, but it is not a major recipient of social cohesion aid (see figure 45).

FIGURE 45
LOCATION OF THE COUNTRIES IN TERMS OF THEIR EXECUTION OF EUROPEAN UNION BILATERAL CO-OPERATION FUNDS IN RELATION TO THEIR DEVELOPMENT AND SOCIAL COHESION GAPS



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

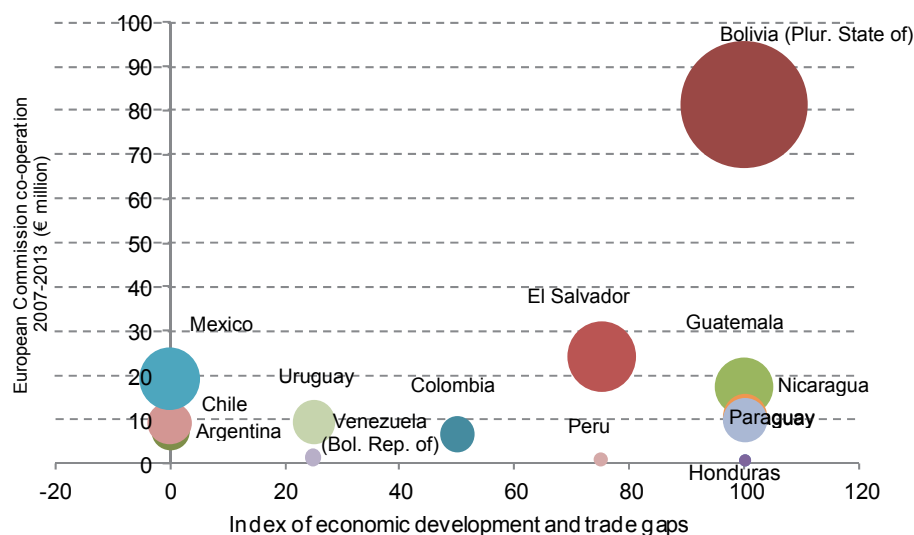
The economic development and trade variable suggests a vision of variable geometry in the relationship between European ODA and the gap in question. On the one hand, countries such as the Plurinational State of Bolivia and El Salvador, which have larger gaps, receive significant funding, whereas countries such as Ecuador and Honduras receive few resources to address that gap. In contrast, countries such as Chile and Uruguay which received assistance ranging from € 5 million to € 12 million, have smaller economic development and trade gaps. Despite displaying smaller gaps, economic development and trade remains a co-operation priority for upper middle-income countries such as Chile and Uruguay (see figure 46).

In the environment component, the Plurinational State of Bolivia has received the largest amount of funding (in the water sector). Countries that continue to execute the largest amounts of funds in this sector include Honduras, Colombia and Brazil, where Honduras is the only country with a major gap in this sector. The remaining countries fall into two groups: the first with minor gaps contains Peru, Argentina, Mexico and the Bolivian Republic of Venezuela, which have received less funding and have smaller gaps in this sector. A second group with similar amounts of European Union co-operation funds show major gaps in the environment sector (see figure 47).

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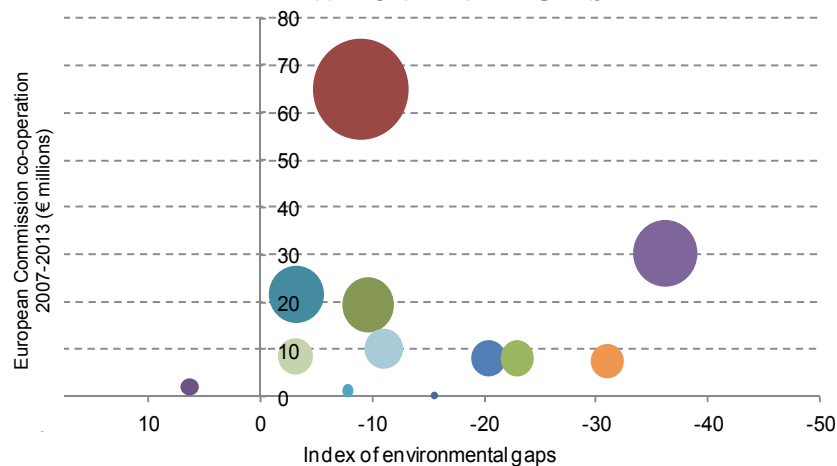
In the environment component, the Plurinational State of Bolivia has received the largest amount of funding (in the water sector). Countries that continue to execute the largest amounts of funds in this sector include Honduras, Colombia and Brazil, where Honduras is the only country with a major gap in this sector. The remaining countries fall into two groups: the first with minor gaps contains Peru, Argentina, Mexico and the Bolivian Republic of Venezuela, which have received less funding and have smaller gaps in this sector. A second group with similar amounts of European Union co-operation funds show major gaps in the environment sector (see figure 47).

FIGURE 46
LOCATION OF THE COUNTRIES IN TERMS OF THEIR EXECUTION OF EUROPEAN UNION BILATERAL CO-OPERATION FUNDS IN RELATION TO THEIR ECONOMIC DEVELOPMENT AND TRADE GAPS



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

FIGURE 47
LOCATION OF THE COUNTRIES IN TERMS OF THEIR EXECUTION OF EUROPEAN UNION BILATERAL CO-OPERATION FUNDS IN RELATION TO THEIR ENVIRONMENTAL GAPS



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

V. Conclusions

As part of the ECLAC-AECID programme linked to the European Union's partnership agreements in the region, ECLAC has analyzed the flows of cooperation from the European Commission related to the 2007-2013 Geographic Programme for Latin America, yet to be finalized, under the DCI, which is divided into three programmes: regional, subregional and bilateral.

The European Union has contributed over € 4 billion euros in the last two programme exercises through the regional, subregional and bilateral programming of its Geographic Programme in Latin America. ODA funds provided by the European Union as a whole, the European Commission and Member States have doubled since 2000, to become the largest ODA donor in the region, accounting for nearly 50% of total official development assistance received in Latin America and the Caribbean in 2010-2011, in which the United States is the main bilateral donor.

While the European Commission's share of the ODA contributed to the region has doubled, the same has not happened with European Union Member States as a whole who are donors in the region. In fact, except for Spain, Germany and France, their contribution has started to decline as a result of the economic slowdown in the euro zone.

In Latin America and the Caribbean, ODA funds received in the last decade have increased, although to a lesser extent than in other regions of the world; and there is a distinct possibility that they will decline further in the coming years due to the progressive withdrawal of the region's traditional donors. The dramatic situation in Haiti, following the earthquake in 2010, has had a major impact on the flow of ODA resources received in the region recently. Although such flows are very helpful for that country, they may prove to represent transitory growth targeted on increased aid tied to a single country.

In view of the above and the description of the ODA provided by the European Commission through its 2007-2013 Geographic Programme in Latin America, in the sectors of regional integration, trade facilitation, infrastructure development, institutional development, social cohesion, governance, strengthening civil society, among others, it can be concluded that this aid provided by the European Commission is stable and growing through time, consistent with committed and executed sector priorities, and efficient in terms of administrative execution of commitments undertaken and funds executed, which match or exceed funds committed, thereby affording Community aid a characteristic of predictability compared to that of other donors.

The degree of complementarity and synergy between the European Union co-operation executed in the region and the Partnership Agreements, as well as the role of cooperation in constructing the strategic partnership between the European Union and the current CELAC, is being monitored by both regions and in the interests of each country.

The programming of the European Commission's co-operation, which will start to execute next year and run until 2020, represents a new path for both regions, and also for a large proportion of the countries in question. For the first time Latin America will receive funds from two financial instruments, the DCI and PI. This incorporates a major challenge in the assistance that the European Union provides for regional and subregional integration, by turning those mechanisms, under common regulations, into a meeting place for all countries of the region.

The fact that the sector priorities of the cooperation committed and executed under the current programming of geographic cooperation for Latin America 2007-2013, remains consistent in terms of its sector priorities, is partly explained by the fact that the European Union uses a common and organized approach to its cooperation efforts, through the various financial instruments available to it; and it sets specific objectives, sectors and resources. This procedure enables the European Union to ensure consistency in the aid resources it commits and those in which co-operation actions can be executed.

Maintaining this consistency becomes difficult when there are objectives to be fulfilled other than those established in the financial arrangement being used, which forces those responsible for planning and execution of European co-operation to engage in an increasingly intensive dialogue with each of its counterparts, so as to fulfil the commitments of the DAC in relation to the appropriation and alignment of ODA resources with their own commitments and regulations.

The current regional geographic programming exercise has grown by more than 50% in relation to the previous exercise, and execution at the time of this study was 12% above all funds committed. In the regional programming, and in the three subregional programming exercises, funds executed amount to 100% and 103%, respectively; and the bilateral programming, with 18 programming exercises, reported execution of 115% in relation to funds committed.

In relation to the execution sectors of the regional geographic programming, the bulk of resources has been channeled mainly into two priority sectors, which account for two thirds of funds executed. Nearly 50% went to the Social development and social cohesion sector, which includes the subsector of rural development, land management, agriculture and food security, and the development and social cohesion subsector; and just over 20% was allocated to the Economic development and trade sector, through the subsectors of regional trade and integration, economic development, and infrastructure.

The remaining third of the geographic programming covers the Environment sector, which includes the subsectors of water and energy, and the environment as such, the Human resources and mutual understanding sector, and lastly, the Democracy, human rights and good governance sector, which includes the governance, democracy and human rights subsector, and the conflict prevention subsector.

The volume of funds committed to the regional programming was almost that of the previous programming exercise; and funds executed as of the date of this study and after just over 100% of amounts committed.

There have been four priority sectors for execution of funds from the regional programming exercise: Economic development and trade, which include the @ LIS 2 programme, the AL-INVEST IV Programme and the LAIF programme, the latter being included in this sector for the study in view of the programme is approved to date. The second sector of execution of funds is Human resources and mutual understanding, which include the Erasmus Mundus programme, external cooperation chapter and the ALFA III programme. This sector also included two scientific cooperation programmes. The third area of concentration of funds executed is Social cohesion, which includes the EUROSOCIAL II and the URB-AL III programmes. The fourth sector is Environment, which totals €34 million.

While the regional programming suffered changes in relation to the programmes initially considered for each sector, such as in the Social development and social cohesion sector which incorporated the LAIF programme, and the Environment sector which initially contained to crosscutting actions, the final amount committed for the regional programming did not vary greatly in relation to funds ultimately executed.

The mechanics of the programming process based on the sectors established in the respective financial instrument applicable to the region, in this case the DCI, and the programmes executed, illustrates the importance of the time at which the European Commission establishes and formalizes the priorities and respective regional strategy document, since these priorities become a golden rule at the time of deciding on the sectors in which the respective programmes and funds will be committed. Accordingly, the degree to which the beneficiary countries can participate in that process, by incorporating their interest in the definition of the priorities of the programming exercise, is crucial.

In the case of the subregional programming, which has one programme for Central America (SICA) and two for South America, Andean Community (CAN) and MERCOSUR, the funds committed were slightly higher than in the previous programming. These funds have been fully implemented, with Central America capturing half of the funds.

The sectors of execution in the subregional programming follow the same prioritization mechanism as in the regional programming; in other words they consider the priorities defined by the DCI for the region and those established in the regional strategy paper (RSP). The current subregional programming has a “common sector” in the three programming exercises, the Trade and regional integration sector, which makes it possible to establish a consistent pillar among the three regional subprogramming exercises in Latin America, and to prioritize a given sector. This sector is also the common pillar in the Partnership Agreements, thereby making it possible to support areas that should facilitate and make it possible to implement the trade pillar of those agreements. This common priority or execution pillar is matched by specific sectors according to the reality of each subregional integration entity, which makes it possible to consider programming with an agenda of common interest between the countries in each group.

In a case of Central America, the Strengthening of good governance and security sector was included, along with the sector of Strengthening of the Institutional System for Regional Integration. In the case of the CAN, the Fight against illicit drugs sector was included, along with the Social and economic cohesion sector. In the case of MERCOSUR, the sector of Strengthening the role of society in MERCOSUR was added, along with Support for MERCOSUR institutions.

The priority sector in Central America is Consolidation of the customs union and harmonization of related common policies; in the Andean Community, the three sectors are divided almost exactly in thirds (Regional economic integration, Fight against illicit drugs, and Social and economic cohesion); while in MERCOSUR the funds committed are concentrated mainly in the Strengthening of MERCOSUR sector.

The subregional programming of European Union cooperation is crucial to the process of Latin American integration. Apart from being one of the few donors that supports subregional integration entities, the regional subprogramming exercise incorporates issues that are of direct concern to the countries in each grouping, thereby making it possible to incorporate local issues and open up new areas or sectors of cooperation.

In the case of the 2007-2013 bilateral programming exercise, which encompasses 18 countries (including Cuba, which was not included in the previous programming exercise), the funds committed were one third higher than in the previous exercise. While bilateral assistance committed in the Andean Community countries has increased by the most, amounts committed in the countries of MERCOSUR and Central America rose by just over a third.

At the bilateral level, funds committed increased significantly in Paraguay, Colombia and El Salvador, while bilateral funding committed decreased in Brazil, Mexico and Argentina, the European Union's two first "strategic partners" in the region, although the reduction was no more than 5%.

Considering funds executed from the bilateral programming exercise, by type of participant, over two thirds were executed by government public agencies, while remaining 18% were executed by non-government actors.

To date two-thirds of the total amount executed bilaterally of the current programming throughout the region corresponds to seven countries: Honduras, Nicaragua, Guatemala and El Salvador in Central America, the Plurinational State of Bolivia and Ecuador in the Andean Community, and Paraguay in MERCOSUR.

Nonetheless, while the European Union's ODA remain significant in many countries in the region, for others this type of funding has been steadily declining, and has become less important for their development. This is because these ODA funds resulting from the various agreements and consensuses achieved by the international community, are mainly targeted on fulfilling the Millennium Development Goals and combatting poverty. Thus, the remaining one third of bilateral ODA executed in the region by the European Commission has been shared between 10 countries: Brazil, Colombia, Peru, Argentina, Mexico, Uruguay, Costa Rica, the Bolivarian Republic of Venezuela, Panama and Chile (in that order).

The execution sectors of bilateral programming contained in each of the 18 CSPs consider one of the three priorities established in the regional strategy paper (RSP), mainly Social cohesion and employment and Trade and regional integration, and in fewer cases the Human resources and mutual understanding sector. This programming also incorporates other sectors not directly covered in the DCI, such as Support for the Fight against production and unlawful trafficking of narcotics or Innovation and research (bilateral).

At the time of writing, the Social cohesion sector accounts for the largest amount of funds executed from the current programming exercise, followed by the Human resources and mutual understanding sector and the environment sector, which jointly account for the same funds as the Social cohesion sector. The fourth priority sector is Economic development and trade, followed by Democracy, human rights and good governance.

The bilateral programming is the largest of the three programming exercises that comprise the regional geographic programming, not only because of the number of countries it covers, but also because of the funds involved, amounting to over two thirds of total European Union assistance in the region. For that reason, although the respective governments and civil society are consulted by the European Union during the process of preparing the respective CSPs, there is little room available to establish different priorities than those considered in the DCI, particularly since the funds committed can only be executed in the sectors defined in the respective financial regulation. Given the European Union's cooperation planning and execution process, which is characterized by its consistency, this situation has an impact on the new topics or sectors that are not considered in the DCI but form part of the cooperation areas considered the respective partnership and/or cooperation agreements, and which are of interest to several countries, particularly those that have other interests in the development sphere.

In relation to the mechanisms for executing bilateral funds, budget support has become the most widely used modality for executing ODA funds in the current bilateral programming

This modality has proved to be a good mechanism for committing ODA funds and is fully consistent with the Paris Declaration in terms of national ownership. Nonetheless, by transferring the funds directly to the national budget, participation in the allocation and execution of funds by other, non-governmental, stakeholders could be restricted, thereby limiting civil-society participation in those ODA funds, which are invested by the European Union in each country through the respective governments.

Although using the sector budget support modality requires a healthy system of economic data production, as together with clear fiscal accountability, the selection of one country or another seems to be random, and there is no single criterion for its application. In fact, in the current programming exercise, this was only considered in the Nicaragua CSP, but was used in 14 of the 18 countries.

This modality was used in five of the six Central American countries, accounting for half of the regional total. Costa Rica uses this mechanism most, followed by Nicaragua, Honduras and Guatemala. In a case of El Salvador, the level of funds executed is low, and in Panama it was not used. In the Andean Community, sector budget support accounts for almost one third of funds executed in the current bilateral programming exercise, with Ecuador executing most funds in this modality, followed by Peru and Colombia. In the Plurinational State of Bolivia, this execution modality is very minor in terms of the volume of funds executed. In MERCOSUR, the four countries have executed on average almost half of their funds through budget support; and in countries that are not in a subregional grouping, sector budget support was used only in Mexico.

Funds executed through sector support, in cases where identification was possible, were concentrated in the Social development and social cohesion sector, followed by the Regional integration and economic cooperation sector. A long way behind followed the Human resources and mutual understanding sector and the Democracy and human rights and Environment sectors, which account for the bulk of Community contributions.

The European Commission's cooperation in Latin America and the Caribbean under the DCI geographic programme is executed directly with governments, particularly in the case of bilateral ODA funds. This is not true of regional programmes that explicitly involve participation by non-governmental organizations or non-government agents, or in DCI thematic programmes.

In the case of the bilateral funds of the 2007-2013 multi-annual programming, 18% of total bilateral funds have been executed through non-state actors.

The non-state actors with the largest participation in the execution of bilateral funds in the current programming exercise are NGOs, with more than half of total funds executed through non-government actors, mostly in the Andean Community and Central America, and less in MERCOSUR and the ungrouped countries. While these NGOs are particularly important in Peru, Nicaragua and Brazil, they also have a significant presence in Colombia, Ecuador, Guatemala and the Bolivarian Republic of Venezuela.

Secondly, funds were executed through international organizations, mainly in Central America and the ungrouped countries. In the case of Central America, most funds have been executed in Guatemala, Nicaragua and Honduras. In a case of the ungrouped countries, funds were executed by a single country, the Bolivarian Republic of Venezuela.

A third non-state player in the execution of bilateral funds, research centres, are significant in MERCOSUR countries, particularly Brazil and Paraguay. A fourth player, private corporations, have a significant presence in Central America, in Guatemala and Nicaragua, and also in Colombia.

In addition to these non-state participants in the execution of bilateral funds, foundations are important in Colombia, and religious entities play a role in Colombia and Peru. Lastly, although executing small volumes of funds compared to other non-state actors, municipal public entities play a significant role in Honduras and Uruguay.

The application of financial instruments and the Agenda for Change in the 2014-2020 programming in Latin America will imply a process of graduation which could become one of the major challenges facing the European Union's cooperation in Latin America over the next few years, and would mean that seven of the 18 countries that currently receive ODA funds from the DCI in the region would graduate; in other words, they would no longer be eligible to receive ODA funds from the European Commission, at least not those originating in the DCI for that purpose. From 2014 onwards, these countries will be able to cooperate with the European Union through the PI. The other

seven Latin American countries will continue to be eligible to receive ODA funds, in other words the cooperation funds defined for development cooperation in the DCI.

The proposal to implement two financial instruments simultaneously in the European Union's cooperation with Latin American countries poses several challenges. Firstly, consideration needs to be given to the situation that would arise when applying different financial instruments in the region, which in some cases could mean that one or two countries that are part of a subregional group would have different treatment, which has never previously happened. Secondly, the application of two instruments would necessarily establish priorities and sectors that will not necessarily be the same for all countries of the region bilaterally, thereby generating one ODA agenda for one group of countries through the DCI, targeting low-income countries, and another agenda, in this case cooperation, through the PI for another higher-income group of countries.

Thus, for example, as an effect of the announced regulation, Costa Rica and Panama in Central America would have a partnership agenda, while there would be another different development cooperation agenda, with the other four member countries of the Central American group.

In the case of MERCOSUR, Argentina, the Bolivarian Republic of Venezuela, Brazil and Uruguay would be the countries that should or could execute cooperation with the European Union through the PI, and would not directly receive Community ODA funds. In this case, only Paraguay would continue to have a development assistance cooperation agenda. In the case of countries not belonging to a subregional grouping, Mexico and Chile will graduate, and will have to establish their future cooperation with the European Commission through the PI. Cuba, in contrast, will continue to receive ODA funds.

In view of the above, the eventual size of the regional and subregional programme will be crucial for establishing a "common development agenda" for all countries of the region, since it has regional-scope programmes that have proven important and would be the only mechanism in which all countries of the region could participate and share the same priorities, without any distinction based on GDP or some other variable. This process could be facilitated with the recent creation of CELAC.

A fourth element to be considered in this graduation process is the assumption that different types of cooperation will be needed, according to each country's capacities in tackling its own poverty reduction challenges and meeting the challenge of fulfilling the Millennium Development Goals. Although these countries display positive economic growth indicators, as a result of which all have been classified as MICs or UMICs, these indicators do not take account of the inequalities that exist nationally and in local areas which are also the region's most populated zones, accounting proportionally for the largest number of people living in poverty across the region.

Nonetheless, apart from the potential effects of having two parallel agendas in the region, or a development frontiers view in relation to ODA funds, it is also important to highlight the positive effect of this graduation process, namely to be able to directly offer cooperation to certain countries on issues are not necessarily related to traditional ODA. Regardless of whether the funds used by the European Commission are attributable to ODA or not, this means an opportunity to address a number of sectors that are excluded from development assistance funds. This opening up of new sectors and modalities of cooperation through the PI should make it possible to address development areas that do not always attract the attention of traditional donors but are crucial for the development of the countries and the region as a whole.

In fact, for these countries, some of which the European Union considers "strategic partners" or with which it has Partnership Agreements, could be an opportunity to address new development issues, other than those which DAC donors have agreed upon for ODA funds, and which are included among the cooperation sectors of the Partnership Agreements, which could be complementary for their development under current conditions.

The new issues or sectors that could be of interest to all countries that will have to relate to the European Union through the PI could clear the way to establishing a development agenda that goes beyond

the Millennium Development Goals, which, without neglecting them, would incorporate cooperation programmes that give a more in-depth treatment to sectors such as innovation and competitiveness, trade and regional integration, the environment and climate change, energy, and infrastructure.

Despite being present in the current multi-annual programming of bilateral cooperation, none of these sectors receives sufficient financial resources from international cooperation to add value to national efforts.

An additional challenge in relation to the PI is that this instrument does not take account of funds allocated per country, which could lead to unfair and asymmetric competition between countries that can participate in this fund by putting industrialized and middle-income countries under the same instrument and rules, particularly strategic countries and peripheral countries. This would mean expanding the political dialogue with each of the partner countries in constructing the respective cooperation programming exercises.

Lastly, in relation to the cooperation funds executed by the European Commission at the date of this study, under current 2007-2013 bilateral programming exercise, and the structural gaps proposed by ECLAC, it is confirmed that those funds will mainly target the countries displaying the largest gaps at the sector level, in the areas in which the European Commission's ODA has been analysed in this study.

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Annex

TABLE A.1
BILATERAL FUNDS EXECUTED AND COMMITTED IN COOPERATION PROGRAMS
BETWEEN THE EUROPEAN UNION AND LATIN AMERICA 2007-2013
(In millions of euros and percentages)

Countries/subregions	Committed	Executed	Level of Execution
Latin America (17+ Cuba)	1 871	2 165	116
Central America	765	927	121
Costa Rica	34	38	112
El Salvador	121	156	129
Guatemala	135	181	134
Honduras	223	269	121
Nicaragua	214	253	118
Panama	38	30	78
Andean Community	663	743	112
Colombia	160	106	66
Bolivia (Plur. State of)	234	331	141
Ecuador	137	140	102
Peru	132	166	126
MERCOSUR	287	368	128
Argentina	65	71	110
Brasil	61	115	188
Paraguay	130	134	103
Uruguay	31	48	154
No groupings	156	128	82
Chile	41	25	62
Mexico	55	50	90
Venezuela (Bol. Rep. of)	40	32	81
Cuba	20	21	103

Source: CSP for each country.

TABLE A.2
BILATERAL FUNDS EXECUTED AT THE REGIONAL LEVEL FOR LATIN AMERICA
AND THE CARIBBEAN, 2007-2013
(In millions of euros)

Sector and subsector	Total	Percentages
Social Development and Social Cohesion	1 221	56
Development and social cohesion	662	54
Rural development and land management, agriculture and food security	510	42
Fight against production and trafficking of illicit drugs	49	4
Environment, Climate change, water and natural disasters	288	13
Environment	167	58
Water and energy	121	42
Democracy, human rights and good governance	217	10
Governance, democracy and human rights	183	84
Conflict Prevention	34	16
Economic Development and Trade	366	17
Regional Integration and Economic Cooperation	50	14
Economic development	197	54
Infrastructure	119	33
Institutional Cooperation		
Human Resources and Mutual understanding	52	2
Higher Education	25	47
Scientific Cooperation	28	53
Non-sectoral budget support	21	1
Total sectorial	2 165	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

TABLE A.3
EXECUTED BILATERAL FUNDS INCLUDING NON-SECTORAL BUDGET SUPPORT, 2007-2013
(In millions of euros)

Sector and subsector	Argentina	Bolivia (Plurinational State of)	Brazil	Chile	Colombia	Costa Rica	Cuba	Ecuador	El Salvador	Guatemala	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay	Venezuela (Bol. Rep. of)	Total
Total sector and non-sectoral budget support	71.2	330.9	114.6	25.4	105.7	38.2	20.5	140.0	155.9	180.9	269.4	49.7	252.9	29.5	134.2	166.3	47.6	32.3	2 165.2
Social Development and Social Cohesion	49.7	159.8	31.4	12.7	14.1	8.8	17.0	109.5	118.6	102.2	63.2	13.5	213.4	29.2	120.8	142.1	8.4	7.1	1 221.4
Social Development	39.8	22.0	23.8	12.3	8.5	8.8	0.8	106.1	118.6	21.1	2.8	13.5	86.4	29.2	116.8	42.8	4.7	3.8	662.0
Rural Development, land management, agriculture and food security	9.8	91.8	7.6	0.4	5.5		16.2	3.3		81.1	60.3		127.0		4.0	99.3	3.7	0.0	510.1
Environment, climate change, water and natural disasters	0.3	11.9	20.6	2.2	23.2		3.5	27.2		36.2	30.3	1.2	4.9		1.5	9.8		10.2	288.1
Environment	0.2	11.8	17.1	2.2	23.2		3.0	23.0		36.2	25.3	1.2	3.2		1.4	9.8		9.9	167.3
Water and Energy	0.2	105.1	3.5				0.5	4.2			5.1		1.8		0.2			0.3	120.9
Democracy, human rights and good governance	13.0	11.8	11.8	1.2	54.6	9.9		2.8	1.0	13.3	45.4	1.9	28.9	0.3	1.9	13.2	12.0	6.1	217.5
Governance, democracy and human rights	13.0	11.8	11.8	1.2	28.4	9.9		2.8	1.0	6.9	45.3	1.9	28.9	0.3	1.9	11.8	12.0	6.1	183.3
Conflict prevention					26.2					6.4	0.2					1.4			34.1
Economic Development and Trade	7.5	54.3	18.1	9.3	13.2	8.5		0.4	36.3	18.2	130.4	19.3	5.6		10.0	1.2	24.5	8.8	365.7
Regional Integration and economic cooperation					5.8	8.5				7.0	10.4				10.0		8.1		49.8
Economic Development	7.5	54.3	18.1	9.3	7.5			0.4	36.3	11.0	1.0	19.3	5.5			1.2	16.5	8.8	196.5
Infrastructure										0.3	119.0		0.1						119.4
Human resources and mutual understanding			26.7		0.6	10.9						13.9							52.0
Higher education			21.7									2.8							24.5
Scientific Cooperation			5.0		0.6	10.9						11.1							27.6
Non-sectoral budget support	0.7		6.1							11.0							2.7		20.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information. AECID-ECLAC Dashboard Project on Investment and Trade.

TABLE A.4
SECTORAL DISTRIBUTION OF FUNDS CORRESPONDING TO BUDGET SUPPORT IN LATIN AMERICA, 2007-2013
(In millions of euros)

Sectors	Social development and social cohesion	Environment, climate change, water and natural disasters	Democracy, human rights and good governance	Economic Development and Trade	Human resources and mutual comprehension	Non-sectoral budget support	Total
Total Latin America	449.1	65.1	73.3	196.1	37.6	20.5	841.7
Costa Rica	8.8			8.5	10.9		28.2
El Salvador				12.1			12.1
Guatemala	40.3	28.0				11.0	79.3
Honduras	1.3	0.1	9.0	129.4			139.8
Nicaragua	147.1	0.3	22.7				170.1
Panama							
Central America	197.5	28.4	31.7	150.0	10.9	11.0	429.5
Bolivia (Plur. State of)		19.0					19.0
Colombia			26.0	6.0			32.0
Ecuador	102.6	17.0					119.6
Peru	60.8						60.8
Andean Community	163.4	36.0	26.0	6.0			231.4
Argentina	29.1		5.0			0.7	34.8
Brazil	1.6		0.1	17.3	26.7	6.1	51.8
Paraguay	57.1	0.7	0.6				58.4
Uruguay			9.8	14.8		2.7	27.4
MERCOSUR	87.9	0.7	15.5	32.1	26.7	9.5	172.4
Chile							
Mexico							
Venezuela (Bol. Rep. of)	0.3		0.1	8.0			8.4
Cuba							
No grouping	0.3		0.1	8.0			8.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information. AECID-ECLAC Dashboard Project on Investment and Trade

TABLE A.5
EUROPEAN COOPERATION ACTORS IN LATIN AMERICA, 2007-2013
(In millions of euros)

Country / Grouping	Research Center	Private Corporation	Religious Entity	Foundation	NGO	International Organizations	Public	Público municipal	Total
Latin America Total	32.7	30.6	5.2	16.8	221.1	60.9	1 770.8	27.1	2 165.2
Costa Rica					0.4		37.8		38.2
El Salvador							155.9		155.9
Guatemala	2.4	12.6	0.1	0.2	17.1	13.0	135.2	0.3	180.9
Honduras	0.5			0.2	8.5	9.9	239.8	10.5	269.4
Nicaragua	1.6	11.2	0.6	0.7	37.8	16.2	184.3	0.5	252.9
Panama				0.3			29.2		29.5
Central America	4.4	23.9	0.7	1.4	63.9	39.1	782.2	11.2	926.8
Bolivia (Plur. State of)					0.9		330.1		330.9
Colombia	2.4	4.5	2.1	9.4	29.1	2.4	53.1	2.8	105.7
Ecuador			0.3	0.6	18.8		120.3		140.0
Peru	2.8	0.4	1.9	0.0	38.6		122.4	0.1	166.3
Andean Community	5.2	4.9	4.3	10.0	87.4	2.4	625.9	2.9	742.9
Argentina	0.6	0.2	0.2	0.2	2.7		66.9	0.4	71.2
Brazil	13.0				33.7	5.6	59.3	3.1	114.6
Paraguay	8.2			0.3	6.9		116.9	1.9	134.2
Uruguay	0.1	0.3		0.4	3.0		36.7	7.2	47.6
MERCOSUR	21.9	0.4	0.2	0.9	46.3	5.6	279.7	12.6	367.7
Chile	0.6	0.1	0.1	0.4	2.4		21.4	0.4	25.4
Mexico	0.4	1.1			6.6		41.7		49.7
Venezuela (Bol. Rep. of)	0.3	0.2		1.4	10.3	0.5	19.7		32.3
Cuba				2.7	4.1	13.4	0.4		20.5
No grouping	1.2	1.4	0.1	4.4	23.5	13.9	83.0	0.4	127.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information. Dashboard, AECID-ECLAC Project on Investment and Trade.

TABLE A.6
FUNDS EXECUTED IN EUROPEAN GEOGRAPHICAL PROGRAMS
IN LATIN AMERICA, 2007-2013
(In millions of euros)

Sector and subsector	Regional Programs	Sub-regional Programs	Bilateral Programs	Sectoral Total
Social development and social cohesion	97	51	1 221	1 369
Development and social cohesion	97	27	662	786
Rural development and land management, agriculture and food security		18	510	528
Fight against production and traffic of illicit drugs		6	49	55
Environment, climate change, water and natural disasters	34	29	288	351
Environment	34	29	167	230
Water and energy			121	121
Democracy, human rights and good governance			217	217
Governance, democracy and human rights			183	183
Conflict prevention			34	34
Economic Development and Trade	197	104	366	667
Regional Integration and economic cooperation	72	98	50	220
Economic Development		5	197	202
Infrastructure	125		119	244
Institutional Cooperation		1		1
Human resources and mutual understanding	193	12	52	257
Higher education	186	10	25	221
Scientific cooperation	7	2	28	37
Other non-sectoral programs	20			20
Reserves and others	18			18
Non-sectoral budget support			21	21
Sectoral Total	559	196	2 165	2 920

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information. AECID-ECLAC Dashboard Project on Investment and Trade.



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