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FEASIBILITY STUDY OF THE EUROPEAN UNION – LATIN AMERICA BI-REGIONAL SOLIDARITY FUND PROPOSED BY THE EUROPEAN PARLIAMENT

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FEASIBILITY STUDY OF THE EUROPEAN UNION - LATIN AMERICA BI-REGIONAL SOLIDARITY FUND PROPOSED BY THE EUROPEAN PARLIAMENT

Summary:

This document presents a detailed examination of the feasibility of the European Parliament proposal contained in its resolution of 15 November 2001 to create a European Union - Latin America Bi-regional Solidarity Fund. That proposal has been repeated since then on numerous occasions and in various forums but has not yet been seriously considered either by the European Commission or by the Council. In this context, and on the eve of the Vienna Summit, this document sets out various specific proposals on the basic guidelines for the creation of the Fund, both as regards its organisational structure and in relation to its financial aspects and scope.

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FEASIBILITY STUDY OF THE EUROPEAN UNION - LATIN AMERICA BI-REGIONAL SOLIDARITY FUND PROPOSED BY THE EUROPEAN PARLIAMENT[1]

Barcelona, 28 February 2006

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I. BACKGROUND TO THE PROPOSAL

In its Final Declaration, the first Summit of Heads of State and Government of Latin America and the Caribbean (LAC) and the European Union held in Rio in June 1999, stated its desire to build a bi-regional strategic partnership to strengthen and renew relations. The broad agenda agreed was to be developed through proposals that would transform the political will into specific actions and give the partnership real content. In anticipation of the second Summit held in Madrid in May 2002, the European Parliament's Committee on Foreign Affairs drew up a report[2] – which gave rise to the resolution adopted on 15 November 2001 – on a 'global partnership and a common strategy for relations between the European Union and Latin America'[3] specifying actions to be taken in the context of the objectives agreed at the first summit.

The first proposal to set up a bi-regional solidarity fund appeared in that report in the context of developing a common strategy in the social and cultural sphere, justice and home affairs and, above all, the fight against poverty. The latter sphere emerged as the main objective of the initiative, for the purpose of managing and financing sector-based programmes on health, education and the eradication of extreme poverty in the regions with the worst economic indicators and greatest inequality. It was envisaged as a multilateral instrument in which the Commission would take on a leading and coordinating role in relation to the Member States and the principal development banks, such as the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB), the Andean Development Corporation (ADC), the Central American Bank for Economic Integration (CABEI) and the World Bank. The Final Act of the Madrid Summit of 17 May 2002 did not take up the proposal to set up the Fund, although it did mention the need to increase financial flows to the region to achieve the objectives of the Monterrey Consensus[4] and cooperate closely with regional financial organisations.

The proposal was repeated by the EP in October 2003 during debates on the regulation concerning Community cooperation with Asian and Latin American countries to replace Regulation (EC) No 2258/96[5]. On that occasion the EP amendments[6] called for EUR 20 million annually to be set aside for the Solidarity Fund from the 35% of commitments allocated to *social infrastructure*, without involving an increase in funds as the objective was to act as a catalyst for the participation of other donors. In addition the EP incorporated a reference to the usefulness of such a flexible instrument for responding to *crises* in the region.

The EP report on the proposal for a decision on the Political Dialogue and Cooperation Agreement between the European Community and the Andean Community (ANC)[7] of February 2004, regretted the lack of attention paid to the proposal for the solidarity fund, criticised the fact that the tendency of both the Commission and some Member States to cut resources to the region undermined the credibility of the European commitment to a strategic partnership, and maintained that the agreements should be accompanied by additional resources. The Fund ought to contribute as a financial *solidarity mechanism* to the fight against poverty in the region. However, the Declaration of the May 2004 Guadalajara Summit was limited to repeating the commitment to the objective of 0.7% of GDP intended for Official Development Aid (ODA) and improving access to external funding from the

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[2] The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy drew up an own-initiative report known as the Salafranca Report after the rapporteur, José Ignacio Salafranca, A5-0336/2001 of 11 October 2001.
[3] A5-0336/2001, paragraphs 35-37, page 9.
[4] Adopted at the International Conference on Financing for Development in Monterrey in March 2002.
[5] The Regulation was not in fact renewed owing to the general reform of the cooperation instruments.
[6] Report A5-0312/2003 final of 8.10.2003, Rapporteur Marieke Sanders-ten Holte, Amendment 56, pp. 37-38 and Amendment 97, pp. 58-59.
[7] Report A5-0119/2004 of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy of 26 February 2004, Rapporteur: José Ignacio Salafranca.

social cohesion policies. Nevertheless, reference was made to the initiatives backed by the Rio Group to establish innovative financial mechanisms to deal with social needs, the Venezuela initiative to set up an International Humanitarian Fund and the United Kingdom initiative to establish an International Finance Facility.

With a view to the coming Fourth EU-LAC Summit to be held in Vienna in May, the EP has adopted a report on a 'Stronger partnership between the European Union and Latin America'[8] in which it calls for specific commitments to social cohesion, supported by the setting up of a bi-regional solidarity fund to manage and finance sector-based programmes relating to the eradication of extreme poverty and to health, education, social welfare and infrastructure which, without demanding additional funds, allows other donors to be included. It is recommended that the fund be coordinated by the Commission in collaboration with the other contributors and that it include the EIB 'Latin America facility' to support territorial integration and infrastructure interconnection in sectors such as energy, water, transport, telecommunications and research. Hence it calls on the Summit to launch a feasibility study on the solidarity fund.

The EP's proposals met with a response from some Latin American political bodies. Initially the Rio Group expressed interest[9], but above all the proposals received attention in the bi-regional interparliamentary meetings. At the meeting of the Euro-Latin American Interparliamentary Conference, held in Puebla from 17 to 19 March 2004 in preparation for the Guadalajara Summit, the political representatives adopted 'ten commandments' calling for the inclusion in the partnership of a new cooperation model designed to address disparities, and bolster public policies and private initiatives to tackle *economic integration*. It proposed that the setting up of the bi-regional solidarity fund as a contribution to the achievement of the *Zero Hunger* objective worldwide, but also a contribution to physical and infrastructure integration, and raised the possibility of integrating international funds and initiatives such as the *Kyoto Protocol*. It proposed a budget of not less than EUR 500 million per year in the initial stage, 30 million of which would come from the EU budget and the rest from other donor institutions and countries.

The XVII EU-Latin America Interparliamentary Conference held in Lima in June 2005 backed the proposals in the 'ten commandments' adopted in Puebla and included the setting up of the bi-regional solidarity fund to promote innovative financing for development initiatives. This support was repeated during the meeting between European and Mexican Parliamentarians in October 2005 in Mexico D.F.

II. THE CONTEXT OF THE NEW INITIATIVES ON INNOVATIVE SOURCES OF FINANCING

As well as establishing the Millennium Development Goals (MDG) for the next 15 years, the Millennium Declaration adopted by the UN General Assembly in September 2000 urged an increase in donor contributions and an improvement in the quality of the instruments used. Studies have shown that, if there is no increase in financial flows for development and in their effectiveness, it will be impossible to achieve the results[10]. In the dual course of seeking new sources of finance, on the one hand, and improving effectiveness on the other, the international community has launched international consultation initiatives, some of them political and others more operational.

As regards an increase in resources, the first sign of a new international commitment was the Monterrey Consensus, adopted in March 2002 to provide a global response to the challenges of financing for development. The Conference outcome document urged efforts to be made concrete to achieve the target of 0.7% of GDP and make ODA more effective by, *inter alia*, harmonising procedures to reduce transaction costs, making exchanges more flexible, using instruments adapted to

[8] Committee on Foreign Affairs 2005/2241(INI), A6-9999/2006 final, adopted 22.02.2006. Rapporteur: José Ignacio Salafranca.
[9] The XVII Presidential Summit of the Rio Group in Cusco on 24 May 2003 welcomed the initiative to establish innovative financial mechanisms to increase the resources available for regional projects.
[10] The Human Development Report 2005 estimated that the financing gap to cover needs was about $5 to 7 billion, p. 80.

the needs of developing countries and facilitating resource predictability, in particular through the use of budgetary support and coordination. Exploring innovative sources of finance is considered useful for leveraging additional financial resources.

In January 2004 the *Geneva Declaration* on Action against Hunger and Poverty was signed by the Presidents of Brazil, Chile and France, later joined by Spain, and with the support of the United Nations Secretary-General[11]. To follow this up a Technical Group was formed charged with exploring new ways to find additional finance for the eradication of hunger and poverty which submitted a report[12] bringing together a set of new instruments such as: establishing a tax on financial transactions – both national and international – of 0.01%[13]; a tax on the arms trade of 1%; an International Finance Facility through government bond issues; a special issue of Special Drawing Rights (SDRs); combating tax evasion and action on tax havens; channelling remittances from migrants; voluntary contributions through credit cards and ethical investment funds. The first two proposals require a global consensus which does not yet exist[14], and the setting up of complex measures for monitoring their implementation (OLIVIE, I; 2004), although proposals exist for taxation measures that are simpler to apply such as the issuing of airline tickets which have some degree of international support[15]. As for issuing SDRs, this would require reform of the International Monetary Fund (IMF) issuing rules, which would be difficult to achieve[16]. Awaited, but still some way off, is the possibility of eradicating tax evasion. Moreover this will initially require additional resources to set up the appropriate measures.

The aim of the British initiative on the *International Finance Facility* is to anticipate future resources from the cooperation budgets of donors by using the financial market to accelerate disbursements and deal with current needs. With this system commitments would be binding for donors, much greater immediate cash-flow would be achieved, and the ability to predict disbursements would be improved. However, the initiative has its detractors as, on the one hand, bringing forward future commitments may put a brake on the pressure to achieve the target of 0.7% of GDP intended for ODA for some donors and, on the other hand, it introduces unknowns as to what will happen if the development targets have not been achieved by the time repayment falls due, given that budgets will be absorbed by repayment of the loans (VERON, J.B; 2005) and the availability of resources will decrease. These criticisms and others relating to the criteria for allocating resources mean that the project has been called into question and it is likely that its scope will remain limited.[17] Even so, the UN Secretary-General's report on the implementation of the Monterrey Consensus[18] insisted on its immediate implementation and feasibility studies were therefore undertaken. Equally the report is of the opinion that the 'solidarity levies' are a good complementary instrument which would not require universal implementation, although this would be desirable.

The possible effects of the new proposals still need to be studied and the risk of excessive fragmentation of sources has to be evaluated[19]. Meanwhile, other initiatives deal with increasing the

[11] On 20 September 2004 the World Leaders' Summit on Action against Hunger and Poverty took place in New York at the initiative of the Presidents of Brazil, Chile, France and Spain with the support of the Secretary-General.
[12] Action against Hunger and Poverty: Report of the Technical Group on Innovative Financing Instruments, September 2004.
[13] Modelled on the Tobin Tax, but broader in scope and exclusively for purposes of collection, not for regulating capital movements.
[14] The Paris Declaration arising from the report was signed by 110 countries but did not contain specific commitments and moreover lacked the participation of such leading donors as the United States and Japan http:/www.mre.gov.bri/ingles/política_externa/temas_agenda/acpf/final_declaration.doc.
[15] EU Finance Ministers were favourable in their response to this proposal.
[16] Peter B. Clark and Jacques J. Polak in *International Liquidity and the Role of the SDR in the International Monetary System*; IMF Working Paper WP/02/217 (December 2002) made an initial proposal which did not reach the stage of in-depth discussion in the institutions.
[17] The allocation criterion based on countries' GDP means that it will not appeal to countries with average income like Brazil and Chile, which led the initiative, and there are proposals to restrict it to Africa.
[18] 'The Monterrey Consensus: status of implementation and tasks ahead' 59th Session, 1.06.2005, A/59/822.
[19] Commission Staff Working Paper 'New Sources of Financing for Development: A Review of Options' SEC(2005) 467.

effectiveness of donors' traditional contributions through financial mechanisms for coordination. Here are some examples:

At the 2002 Monterrey Conference the President of Venezuela, Hugo Chavez, put forward an initiative to set up the *International Humanitarian Fund* with the aim of providing a new line of finance to help developing countries combat poverty. The proposal, initially seconded by Cuba, also received the support of the ANC[20], the Group of 77[21] and Spain[22], amongst others. The Caracas Declaration on South-South Cooperation of 17 June 2003 recommended that the Permanent Secretariat of the Latin American Economic System (SELA) study the viability of the proposal and the Extraordinary Summit of the Americas in Monterrey on 13 January 2004 took note of the initiative. An earlier instrument which has taken on new impetus is the Special Fund for the Caribbean set up in December 1996 by the Council of Ministers of the Association of Caribbean States (ACS) to finance projects through extra-budgetary resources. Another of the most successful recent experiments in the mobilisation of international funds has been the *Global Fund to Fight AIDS, Tuberculosis and Malaria* set up in 2002 as an agreement between governments, civil society, the private sector and the communities affected. In relation to the examples mentioned, the outcome document of the World Summit held in September 2005 at United Nations Headquarters in New York to evaluate fulfilment of the MDGs five years after their adoption, recommended supporting quick-impact initiatives to improve the results in education, health and combating malaria and commitment to setting up new sources of finance.

As regards improving the effectiveness of ODA, the initiative with the greatest scope was launched by the OECD Development Aid Committee (DAC). After the first Rome High-Level Forum in 2003, the Paris Declaration was adopted in 2005 incorporating commitments on: the need to adapt aid management modalities to development strategies, harmonising and rationalising donor activities to avoid duplication, and shared responsibility. Twelve indicators of progress were set out and targets for 2010 were agreed. As regards sources of finance, the following objectives were highlighted: make aid more predictable with timely delivery of commitments, assistance to programmes, coordinated support from donors to improve the capacities of developing countries, harmonising procedures, especially in the case of fragile states, avoiding parallel structures, shared analysis and untying aid.[23]

The Paris Declaration considered that in 2010, 85% of aid flows should impact on national budgets and at least 75% would be released in programmes adopted within annual or multiannual frameworks to make the aid more predictable. In countries where the situation does not guarantee effective use of the resources, either because of 'state bankruptcy', the absence of an institutional system, or lack of credibility of corrupt institutions, then common funds or parallel co-financing from various donors within a sector are alternatives with a sector-wide approach for maintaining a certain control over the resources, while the capacities of the recipients are strengthened. This improves coordination between donors and avoids having several management structures. In any case, sector-wide approaches require co-financing as it is difficult for a single donor to take on the financial demands of reforming a sector and medium or long-term commitments are needed. This necessitates financial coordination instruments which complement political coordination. Common funds, as well as creating the financial critical mass required, eliminate bureaucracy and reduce transaction costs. Besides, multilateral instruments reduce conditionality and tying, increase predictability and reduce the risk of donor bias.

III. VALUE ADDED BY THE PROPOSAL TO THE CURRENT FRAMEWORK OF RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA

[20] Conference of Ministers of Foreign Affairs and Defence of the ANC (Andean Community), Lima, 17 June 2002 and Declaration of the Andean Presidential Council, Guayaquil, 26 July 2002.
[21] Ministerial declaration, 26th Annual Meeting of the Group of 77, Foreign Minister, New York, 19.11.2002.
[22] The proposal is aimed at all developing countries, especially those of Africa, the Caribbean and the least developed countries of Latin America. However the Spanish view expressed by the Foreign Minister Miguel Angel Moratinos at a press conference during the Salamanca Summit (14.10.2005) appeared to wish to restrict it to Latin American.
[23] The agreed indicators are grouped under the principles of ownership, alignment, harmonisation, managing for results and mutual accountability.

The European Community is one of the few sources of regional cooperation in Latin America and the only one implementing bi-regional cooperation. However, the regional dimension of Community cooperation lacks operational capacity, first and foremost because of shortage of funds, as regional cooperation for the whole of Latin America is only about 14% of the total, and it is mostly made up of decentralised cooperation lines.[24] These have traditionally been independent of the general programming and have been decided between the Community and local operators without prior negotiation or coordination with the regional institutions. Cooperation with sub-regional bodies ranges from 7% for Central America, to 1% for MERCOSUR, via 2% for the ANC[25] and is concentrated on strengthening integration institutions instead of being directed to programmes to promote regional interdependence. The dispersion is accentuated because regional policy has not been the subject of coordination with the Member States, nor have bilateral and Community actions taken a complementary approach, and this is where a bi-regional solidarity fund would make a contribution.

The Commission's proposal of 13 July 2005 for a new EU Development Policy entitled *The European Consensus*[26] places cooperation within the framework of the EU's commitment to responsible multilateralism[27] and lays down for the first time a framework of common principles to which the European Union and the 25 States are equally committed. It recognises that, to apply principles of consistency and complementarity of policies and improve effectiveness, renewed efforts at coordination and harmonisation are necessary. This includes the need to adapt the instruments to each context and for Community development cooperation to be 'necessarily country- or region-specific' and '"tailor-made" to partner each country or region'. Regional and national approximation means moving towards a more flexible development policy, based on a contractual logic made specific in concerted objectives which include reciprocal obligations for the partners and allow for greater participation by the various actors, characteristics intrinsic to a common fund.

Progress along these lines was made in the Communication on *A stronger partnership between the European Union and Latin America* of December 2005[28] which points out that the course of action taken by the EU must be tailored to the new realities in Latin America, highlighting amongst these the dynamism of *regional integration*. The Commission calls attention to the need to incorporate a disparity correction factor into the partnership and has set promoting social cohesion and poverty reduction at the heart of its cooperation policy. The EU intends to maintain its position as principal donor for the region and at the same time strengthen the financial instruments to secure a *critical mass* guaranteeing effectiveness, which means impetus must be given to the progressive partnership of international organisations and civil society around the said objective.

The common interests of the two regions must be identified (TORRENT; 2005) and, as the driving force of regional integration, regional public goods, which have traditionally been under funded (SACHS, J; 2005, p. 226), must be promoted. Similarly, the conclusions of the Council of 27 February 2006 on EU-LA relations call for a strengthening of bi-regional cooperation on common global matters. Hence bi-regional cooperation should concentrate on those sectors where the regional dimension is essential or contributes greater added value. Europe has made the deepening of Andean and Central American integration a condition for opening partnership agreement negotiations and has stressed the promotion of: the deepening of the customs union; policies to promote social cohesion; connectivity or physical integration; and political stability and democratic governance.

Some of the main problems regarding progress in regional economic integration arise from *disparities between the various partners*. This means corrective mechanisms are needed to reduce negative impacts on weaker countries and to promote income convergence which have up to now been absent

[24] The bi-regional programmes are: AL-INVEST, URBAL, ALFA, @LIS, ATLAS, ALBAN and ALURE.
[25] The statistical data are based on the DRN, ADE, ECO and NCG report 'Evaluation of EC Regional Strategy in Latin America. Bureau report' 8 November 2004, p. 41.
[26] 'The European Consensus' COM(2005) 311 final of 13.7.2005, p. 24.
[27] As compared with the unilateralism of the United States' *Millennium Challenge Account.*
[28] Communication from the Commission to the Council and the European Parliament 'A stronger partnership between the European Union and Latin America' SEC(2005)1590, of 8.12.2005.

from Latin American integration (DNR; 2004, p. 7). It is not easy to establish mechanisms for regional solidarity between countries which suffer from serious internal imbalances and financial shortages, but in both MERCOSUR and the ANC certain instruments are being incorporated such as the customs income stabilisation funds, the solidarity funds[29] and regional social development plans[30] where the European experience may be useful, even if it cannot be automatically replicated. In addition, external financial support will serve as a stimulus to the implantation and consolidation of those mechanisms.

At bi-regional level, the recent reform of the GSP that broadened its scope in terms of both number of sectors and eligible countries (especially the GSP+ which replaces the Drugs GSP), is eroding the impact of preferences. Furthermore, the inclusion of new sets of conditions on the fulfilment of international agreements on protection of social rights, governance and environment is generating greater uncertainty in the system. And in addition the graduation system endangers the access of the MPRs which are currently benefiting the most. Measures should be provided for to prevent or compensate for any losses which may arise in the short term. This requirement is accentuated with the time frame set for the free trade agreement negotiations, especially those of CA and the ANC.

The implementation of regional strategies requires the necessary funds to be guaranteed and the sharing out of responsibilities at national and regional level to be defined. It is difficult to receive national credit guarantees for large-scale regional projects which affect physical integration and promote interdependence such as infrastructure financing in the Puebla-Panama Plan (PPP), the Initiative for Integration of Regional Infrastructure in South America (IIRSA) or the South America Energy Ring as part of the South American Community of Nations (CSN)[31]. European participation would gain visibility and effectiveness by being incorporated into a common fund which includes the regional dimension.

Among the global assets of common interest are, certainly, the Agenda 21 Objectives and the Implementation of the Kyoto Protocol to which the two regions are committed in their different capacities as industrialised countries and developing countries. The improvement in the environmental management of the enormous natural wealth of Latin America and the fight against the deterioration of the environment are policies with a bi-regional focus for which there will have to be solidarity instruments which translate objectives into joint action with the participation of all the actors involved.

The political bi-regional dialogue on the fight against drug trafficking stresses the approach of shared responsibility which must be expressed both on the supply side as well as the demand side. The European commitment has been translated into support for alternative development and technical cooperation programmes, but so far financial support has been well below that appropriate for the EU as one of the two main destinations for cocaine consumption, and it is totally inadequate given the size of the problem. The EU announced its support for the Integral Andean Strategy for Alternative Development and the control of precursors[32] and the Commission's new proposal for regional strategy with Latin America anticipates providing financial support to the bodies being set up. But the Andean countries think the policies lack effective support, and this is how their request for a policy meeting at ministerial level in 2006 to strengthen regional cooperation should be understood.

IV. POLITICAL, INSTITUTIONAL AND BUDGETARY IMPLICATIONS OF THE SETTING UP OF THE FUND FOR THE EU

The current model for the distribution of powers between the EU and the Member States maintains state and Community cooperation policies in parallel without defining areas *a priori*, so that adequate instruments are needed to guarantee complementary action. The Commission recognised that the 2005

[29] In May 2005 the Mercosur Structural Convergence Fund (FOCEM) was set up, intended to finance productive development projects in the region, initially financed 70% by Brazil and especially assisting Paraguay (48%) and Uruguay (32%). The fund admits contributions from other donors.
[30] Such as the Andean Community Integrated Social Development Plan created by Decision 601 of 2004.
[31] The meeting of Ministers of Energy in Caracas on 26 September 2005 adopted a resolution on a future 'Petroamerica Strategy' to promote a multilateral energy complementarity agreement.
[32] 8th meeting of the Specialised Dialogue on Drugs held on 1 June 2005 in Lima.

report on implementation of the MDGs demonstrated very weak implementation of the principle of complementarity and called for an action plan which would incorporate the necessary coordination and harmonisation mechanisms at all levels[33]. The co-financing mechanisms do not resolve, but do assist coordination and complementarity in specific areas and do allow the resources to be added to those of other donors previously outside the regional cooperation dimension, at the same time as contributing to more integrated discourse between the Community and the Member States.

One of the traditional reproaches directed at the Euro-Latin American dialogue is that the announcement of grand objectives in declarations has not been accompanied by the necessary instruments and this lack of concrete implementation makes analysis of the results difficult. A bi-regional solidarity fund would make it possible to concentrate European regional cooperation policy with Latin America and the Caribbean around the *two central themes* of the dialogue: social cohesion and regional integration. This should be accompanied by planning of the objectives on the basis of results and of the establishment of *measurable targets* along the lines of those being drawn up for monitoring the MDGs and the Paris Declaration. This would also make it possible to set up specific *monitoring mechanisms* which would be incorporated into the political dialogue between the EU and Latin America and the Caribbean.

The Communication on *The European Consensus* attributes to the Commission the *role of driving force* behind the agenda for harmonisation and coordination within the EU and with other donors. However, it warns that support to global initiatives should not be allowed to undermine the dialogue with countries and regions, or the integration of the funds into the budget cycle. In this respect the *subsidiarity principle* should be applied on the basis of criteria of effectiveness and efficiency and, therefore, the choice between regional or national action must be based on suitability for the objectives and these need to be identified in a global and concerted manner.

The Commission's proposals for achieving the MDGs have assumed 50% financing through national systems[34] and doubling budgetary aid as the common objective of the EU, including the new members by the year 2010. This would involve a complete turnaround as regards cooperation with Latin America in which only budgetary aid has been used to date. Instruments like this, and sectoral reform support, require collaboration with other donors. There is also a proposal to reduce the number of missions without coordination by 50%, which means adequate mechanisms will have to be generated, and where the EU has an added value role as a collective actor it should play a catalytic role in strengthening modalities of institutionalised co-financing and cooperation.[35]

The EU has committed itself to meeting the DAC guidelines, untying aid to the LDCs and going further, but the position amongst the Member States[36] is varied; the proportion of tied aid to Latin American countries with average incomes continues to be too high: in 2002 only 5.5% of Community ODA destined for the ALA programme was totally untied[37], while for the average of developing countries it was 19%. In the ACP countries it reached 30% and the implementation of the DAC commitments has increased it, while in Latin America it affects only a minority of LDCs. The final European Consensus proposal opens up the debate on untying aid, but without setting objectives. Multilateral instruments such as common funds make it possible to move towards progressively untying aid.

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[33] COM(2005) 132 final of 12.04.2005.

[34] 'Communication from the Commission to the Council and the European Parliament. Accelerating progress towards attaining the Millennium Development Goals – Financing for Development and Aid Effectiveness', COM(2005) 133 final, SEC(2005) 453, SEC(2005) 454, Brussels 12.04.2005, pp. 1-19.

[35] Ibid. page 9.

[36] Annexes to the monitoring of the Barcelona and Monterrey Consensus commitments SEC(2005) 453 of 12.04.2005, sixteen of the current EU members have not introduced improvements in the implementation of the DAC recommendations on tied aid, although only seven are against a more restricted regulation.

[37] SEC(2003)569, p.12, although food aid and any other sectoral instrument would have to be added, the global effect would not be very high due to the low utilisation in Latin America.

The Communication from the Commission on the Financing and Aid Effectiveness[38] took up the commitment made by the European Council of 24 May 2005 to achieve the joint objective, including the new Member States of devoting *0.56% of GDP* to ODA by the year 2010. This assumes a significant increase in the total volume of ODA, but Latin America is not a priority for all the Member States, so the increase in funds to the region will be unequal and in some cases it will be minimal, if not even reduced. The Commission has made Africa its explicit priority, so a significant increase in resources going to Latin America is unlikely. This makes it all the more necessary for there to be coordination to maximise the effectiveness of the resources as a whole, promote the group vision and enable the interventions to reach an *adequate critical mass.*

In the September communication on the instruments for external assistance under the future financial perspective 2007-2013[39] the Commission proposed four new basic instruments to be added to the existing Humanitarian Aid and Macro Financial Assistance instruments. The *Stability Instrument* is intended for temporary situations, and complements the other three, which are geographic in nature. It includes both urgent situations of crisis, and the fight against global and transnational threats to security. Although it is a purely Community instrument there is recognition of the need for *operational and co-financing coordination* between these measures and those that may be agreed under the CFSP[40] and with other donors and regional institutions. The *DCECI*[41] will be the main instrument for all countries not covered by the pre-accession policy or neighbourhood policy. It includes the multiannual geographic and thematic programmes. In January 2006 the Commission approved the seven thematic programmes for the 2007-2013 financial perspective[42] which will replace the 15 existing up to now. These horizontal programmes are not restricted geographically, so their destination cannot be known *a priori* (not programmable). In principle they will complete the regional and national strategies, but it is not known how they will be linked to these, as they appear to be designed unilaterally, despite the fact that the proposal for a regulation states that the Commission will be responsible for ensuring consistency between them.

According to the proposals for regulations, both the DCECI and the Stability Instrument allow multiannual programming, although the funds are committed annually. There exists the possibility of establishing economic agreements with financial bodies and countries and regions for joint or parallel co-financing. Also both admit of implementation through either grants or loans and they cover both direct and indirect management including the management of credits through the EIB and other financial bodies. There is also provision for the Commission to receive funds to manage from the Member States and other donors and financial bodies. Therefore, there does not seem to be any impediment to tying part of the resources from these lines to a common fund permitting bi-regional shared planning.

The new regional strategy for Latin America proposed by the Commission in December 2005 provides for continued support to integration processes as a key element in development. However, the region lacks specific regional financial mechanisms equivalent to those of other regions, such as exist in the case of cooperation with the ACP countries, implemented for the most part using resources from the European Development Fund (EDF), and with the Mediterranean countries which, since 1995, have had the MEDA programmes funded from budgetary subsidies and EIB loans.[43]

[38] COM(2005) 133 final of 12.04.2005.
[39] COM(2004) 626 final of 29.09.2004.
[40] COM(2004) 630 final of 29.09.2004.
[41] COM(2004) 629 final of 29.09.2004, Financing Instrument for Development Cooperation and Economic Cooperation.
[42] They had previously been taken up in the Communication COM(2005) 324 final of 3.8.2005. The new documents are Investing in people COM(2006) 18 final; Non-state Actors and Local Authorities in Development COM(2006)19 final Environment and Sustainable Management of Natural Resources including Energy COM(2006)20 final, Food Security COM(2006)21 final, Democracy and Human Rights COM(2006)23 final, Cooperation with Industrialised and other High-income Countries COM(2006)25 final, Migration and asylum COM(2006)26 final.
[43] The current MEDA II (2000-2006) now in force has EUR 5.35 billion allocated to it.

The regional cooperation budgetary framework exclusively for Latin America during the period 2002-2006 was EUR 264.48 million allocated to: the decentralised networks, the social initiative, disaster prevention, sustainable energy management and the Observatory for relations between the EU and Latin America. To these must be added the general horizontal policies and the purely bilateral actions implemented under the ALA Regulation. In addition, the Community has established financing lines of EUR 40 million from the EIB in the CAF, and EUR 35 million with the Central American Bank for Economic Integration and with the ANC[44]. Since 2002 a memorandum of understanding has been signed with the IDB to collaborate, both in planning and through financial mechanisms and in 2001 a Trust Funds and Co-financing framework agreement was signed with the World Bank[45] with the aim of becoming involved in the Heavily Indebted Poor Countries (HIPC) initiative. The visibility of all these contributions is very low and it is very difficult to measure the extent to which they contribute or otherwise to the bi-regional agenda.

The proposal for the DCECI which will apply to Latin America lays down that the multiannual national and regional strategies (maximum 7 years) will set an indicative budget. The preparation of the regional strategies should be based on dialogue and ensure appropriation and as far as possible they should be the subject of an agreement which can be adjusted in line with the results of monitoring. The Commission will establish its annual action programmes on the basis of these strategies, although special unprogrammed measures are provided for in extraordinary circumstances. The first version of the regional programme proposed by the Commission does not yet contain the financial forecasts, but they should be submitted before the Vienna Summit.

EIB operations opened up to Latin America in 1993 for all countries with partnership agreements. In the current period, 2000-2007, 17 Latin American countries are eligible for productive investment projects in the ALA countries framework[46] to which must be added those destined for the Caribbean under the ACP. The EIB may participate in projects co-financed with other institutions and manage trust funds. Through agreements signed with partner countries, the EIB enjoys preferential creditor status. The Vienna Summit should see the announcement of the setting up of a new Facility for Latin America (Ferrero-Waldner Facility) within the EIB, intended for financing interconnection infrastructure.

These resources, together with the inclusion of budgetary resources into a common fund intended for those European cooperation policies with Latin America which call for intervention on a regional scale, could serve as seed capital to stimulate a greater multilateral contribution through a global fund. This would not be a question of extraordinary contributions, but of resources included in the new regional instruments and taken up in the indicative budget for the regional strategy based on the Summit agreements. Initially a Community budgetary contribution of some EUR 30-40 million annually could be sufficient, added to the contributions from European and Latin American countries and other donors interested in regional actions.

V. VARIOUS ALTERNATIVES FOR THE SETTING UP OF THE FUND IN RELATION TO OTHER MULTILATERAL FUNDS

The initiative to set up a bilateral fund falls within the context of mobilising resources and coordinating policies to increase the effectiveness of ODA rather than seeking alternative sources. The co-financing instruments can be classified under three types: parallel financing, joint financing of projects and the setting up of common global funds. The latter can be set up either as trust funds in a financial institution or as an autonomous common fund. The first two instruments are temporary

[44] In addition ECHO has committed EUR 4.5 million from the DIPECHO Programme for the prevention of natural disasters in the Andean area.
[45] The first agreement of 8 November 2001 was amended in March 2003.
[46] During the said period, approved resources amounted to EUR 2.48 billion. In the period 1993-2001 the Latin American countries most favoured were: Brazil 41%, Argentina 28%, Mexico 8%, Panama 6%.

cooperation mechanisms linked to a specific programme or project and are therefore not suitable for the setting up of a long-term common fund.

The purpose of the common funds is to attract and manage funds intended for global purposes (HEIMANS, J.J.: 2002) and their common features are that they are autonomous, include public and private funds and have a specific aim. It is understood that these common funds are highly flexible, able to increase the mobilisation of additional funds, and allow broader social participation, reducing unilateral approaches and the incentive effect. Because they are focussed, the funds enable better programming by results and their multilateral nature reduces tying of aid. In addition, if there are adequate commitments, a multiannual financial commitment is possible. However, it is necessary to guarantee adequate control of the use of the funds (OECD-DAC: 2005) and avoid a proliferation of actors which increases transaction costs. There is also a risk of fragmentation of aid and loss of overall vision if the funds are not included in national or regional strategies.

The setting up of an *autonomous common fund* with legal personality, capacity for autonomous management and its own administrative and management bodies means creating a new organisation to be added to the existing actors. The setting up of a trust fund managed by a regional financial entity, with a collegiate board of directors and a delegated administration, makes it possible, on the other hand, to combine the benefits of autonomy and global participation with making use of existing capacities. Examples of both types of instrument exist, both in Europe and Latin America, and globally.

The European initiatives include, firstly, the EDF, an autonomous body in which the Commission, the Member States and the ACP countries all participate. In spite of the attempts of the Commission to integrate it into the budget, the 10th EDF has maintained its position outside the budget[47]. This allows it greater contractual and multiannual freedom and also promotes complementarity with the Member States, reducing general transaction costs. However, the strict contractual nature[48] of the agreements puts obstacles in the way of redirecting funds when that becomes necessary (KAUL et al., 2003), although some flexibility has been introduced. The existence of various procedures for the EDF and the Commission’s other horizontal programmes duplicates the Commission's administrative costs. Furthermore, the fact that the ACP countries do not constitute a region makes a global strategy difficult and separates neighbouring situations like the Caribbean and Latin America and the North and South of the African continent. In recent years new financial initiatives have been launched like the African Peace Facility (EUR 250 million), the ACP-EU Water Facility (EUR 500 million)[49], and the concluding in February 2006 of the agreement to create the Trust Fund to finance infrastructure in Africa as an instrument of the EU-Africa Partnership on Infrastructure[50] open to the Member States and financial institutions.

In the case of Mediterranean countries there is no general common fund, although in 2003 the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) was set up with a view to complementarity between the regional activities of the Commission and the EIB, incorporating budget resources to finance interest on EIB loans, loans for regional environmental projects, venture capital and grants for technical cooperation. However, the latest evaluation of the programme (ECORYS-NEI: 2005) detected a lack of complementarity between the EIB MEDA activities and other budget MEDA activities. The regional indicative programme also takes into account the contributions of the Member States and they participate in the MED Committee, which makes pronouncements both on the adoption of programmes and their monitoring. The MEDA regulations will be replaced by the new Neighbourhood Policy Instrument which will include the Mediterranean and Eastern European

[47] The 10th EDF 2008-2013 raises the allocation to EUR 22.7 billion, in comparison with 13.5 in the 9th EDF.
[48] The allocation of resources is carried out through an agreement which has to be ratified by the Member States and 2/3 of the ACP states, a process which often lasts several years.
[49] Within the framework of the EDF, it has the support of the EIB ACP facility and admits public and private participation.
[50] In the initial Phase the Commission proposes mobilising EUR 60 million in subsidies and up to EUR 260 million in EIB loans.

countries that are not yet members, as a means of promoting cross-border programmes and setting up co-financed structural funds.

On 13 December 2005 the EIB, the French Development Agency (AFD) and the German Development Finance Bank (KfW), signed an agreement to coordinate funding in the Mediterranean and ACP countries so that actions can achieve greater impact through co-financing, sharing resources and exchanging information.

International examples with a presence in Latin America include: The *Special Fund for the Caribbean*, which consists of resources contributed voluntarily by countries and institutions, whether partnership members or not. It is governed by decisions of the Council of Ministers, which has the task of evaluating the effects the operations are having in the region every two years, and planning future activities, and of the Council of National Representatives, made up of senior civil servants from ACS Member States and Associate Members. The ACS maintains cooperation agreements with numerous cooperation agencies and in December 2001 signed a protocol with the OPEC Fund to promote development in the Wider Caribbean with the aim of mobilising resources. Through the fund, the ACS Secretariat was appointed executive of the Interreg III programme financed by the European Commission to promote regional cooperation and economic integration.

Within the context of Latin American cooperation there is the Indigenous Peoples Fund. This is an autonomous regional body specialising in promoting the development of indigenous peoples through self-determination. The 23 signatory countries and 17 indigenous delegates participate in the General Assembly which meets biannually. Between assemblies the lead body is the Management Council, made up of 12 members with equal indigenous and government representation, and there is a three-member executive committee and a technical secretariat. Given its limited financial capacity the fund deals only with projects for indigenous communities.

The *Global Fund to Fight AIDS, Tuberculosis and Malaria* is an independent organisation governed by a Board of Directors with representatives from all the sectors involved, which selects, with the assistance of a Technical Review Panel, proposals presented by each country's Coordinating Mechanisms and approves them depending on the availability of finance. The funds are administered by the World Bank, as trustee, and implemented by local beneficiaries with assistance from Local Fund Agents[51] which carry out continuous verification and systematic monitoring. In addition to a Secretariat, the fund has a Partnership Forum with broad participation which analyses progress and makes recommendations to the Board. In spite of its success in terms of collecting funds, the voluntary nature of the fund makes financial forecasts difficult. Therefore, to secure resources and guarantee financing, the fund launched the fifth process of voluntary reinstatement in 2005[52]. The fund maintains permanent detailed information on the allocation and disbursement of the resources through monthly public reports.

There is also the aforementioned proposal on the *International Humanitarian Fund* launched by Venezuela[53] and this is open to any country or NGO wishing to make contributions. It will have repayable and non-repayable resources; the former for development and technical cooperation programmes and the latter for humanitarian aid. It will be established with seed capital of US$20 million contributed by Venezuela and will be organised as a trust administered by the Economic and Social Development Bank of Venezuela (BANDES), coordinated by the Venezuelan Ministry of Foreign Affairs and with a *Board* through which donors can express an opinion on the destination of the resources.

From the examples mentioned and others in existence, it can be deduced that there is great diversity in the structure of funds. According to Heimans, three basic options exist for establishing the governing

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[51] These are independent entities contracted through a competitive call for tenders.
[52] Meetings in Stockholm in March, Rome in June, and London in September.
[53] Proposal formulated by the Government of Venezuela on 31.04.2004, Ministry of Foreign Affairs.

bodies: plenary, allowing all actors to participate; constitutional, based on the representation of different interests; and functional, with selection based on the capacities needed for the fund (HEIMANS: 2002, p. 3). The second is the most common, but it creates problems relating to representation of all those involved and can cause tensions with actors not present in the decision-making body. The presence of a larger number of actors guarantees proper representation, but can complicate the ability to manage the fund. It should be possible to find intermediate ways of guaranteeing proper representation and responsive management.
A special composition is justified only where it is a question of specialised funds requiring specific technical knowledge.

Decisions are usually taken by consensus, although sometimes by a large majority. It is important to have administrative management structures with sufficient capacity so that, if there is no wish to increase administration costs, recourse can be had to delegated management by a pre-existing multilateral body, and this prevents the introduction of new procedural bureaucracies. Another important requirement for the proper functioning of the funds is to have adequate implementation structures at national and regional level which enable decentralised implementation and an optimal appropriation. A mechanism is also needed to keep track of results through the submission of accounts.

VI. BASIC GUIDELINES FOR THE ESTABLISHMENT OF THE FUND.
The Europe-Latin America bi-regional solidarity fund could be established as the first financial instrument to reflect the declarations of the strategic partnership and give them concrete expression, progressing towards a multilateral model of reciprocal commitments instead of the unilateral nature of the instruments available today. This model must continue to be reflected both in the organisational structure and in the objectives and instruments, and indeed in the financing, but the disparities and the different levels of development in the region must be taken into account.

<u>Organisational structure</u>
Although open to other participants, the institutional structure of the Fund should remain tied to the partnership mechanism, so that political control over the objectives and results of the fund actually lies with the *Europe Latin America and Caribbean Summits*. Between summits political monitoring could be carried out through meetings of the cooperation managers and if, in line with proposals from the Commission and Parliament, the EU-Latin American Transatlantic Assembly is set up, this could include parliamentary control of the results.

A *Board of Directors* should be set up to administer the fund. Given the number of countries and actors involved, the plenary model would not appear to be feasible. If the constitutional model is adopted, it should include all partner donors committing a minimum level of finance, as well as the regional integration and cooperation institutions of Latin America. However, a consultative body would have to be set up so that other actors involved could participate, but not as formal partners.

To avoid increasing bureaucracy and to take advantage of available resources, the functions of the *Secretariat* could be delegated to an existing body with management capability. One possibility is to leave it in the hands of the Commission, either within the Directorate General for External Relations or EuropeAid. This is the option that gives the European component greatest visibility. Another possibility is for the Euro-Latin American Permanent Secretariat proposed by the EP to take it on, but this is still an unknown quantity. Finally, recourse could be had to the Ibero-American General Secretariat (SEGIB), recently created under the auspices of the Ibero-American Summits, which would bring both cooperation processes together, but the European component would lose visibility.

In any case, it is important to guarantee decentralised implementation through the responsible *local agents*, whether public or private, but the regional integration bodies must retain a leading role as implementers and coordinators of the programmes. The offices of the Commission delegations could play a *local coordination* role with other actors and other Commission and Member State programmes.

Financial Aspects

The first step is to decide between an autonomous fund with its own management, or management through a trust fund. The option of a body with its own independent management is not very compatible with the delegation of Secretariat functions and also involves the complexity of new procedures. Given the limited financial scope of the fund the best option would appear to be the setting up of a trust fund. There are many possibilities but it appears that two organisations offer comparative advantages. The document on the European Consensus recognises the EIB as an increasingly important instrument in the implementation of Community aid, through public and private investments, and it should incorporate the fight against poverty and the promotion of sustainable development into its mandate. The EIB already has firm experience of working in Latin America and will increase it with the planned Latin America Facility. On the other hand the IDB is the leading regional bank in Latin America and has a very extensive infrastructure and network of cooperating agencies. The Commission has already signed a memorandum of understanding which allows it to incorporate co-financing mechanisms including trust funds.

A minimum capital guaranteed by binding contributions is needed to avoid uncertainty as to the viability of the fund and ensure predictability, but the possibility of voluntary contributions either for specific programmes or for not yet finalised programmes should be left open. Finally it seems appropriate to open up this possibility to other flexible participation mechanisms in specific sectors through agreements. The initial minimum capital would be about EUR 500 million annually through *mandatory minimum contributions* from partners. The Community budget contribution from the DCECI could be about EUR 30-40 million annually. To this must be added the contribution from the EIB loans from the planned (Ferrero-Waldner) Latin America Facility[54] for infrastructure. If necessary, funds could be incorporated from the Stability Instrument. The minimum contributions from the Member States should be based on their contributions to the Community cooperation budgets, and could be supplemented by *voluntary contributions* for those countries which maintain closer ties with the region and have greater commitments there. Latin America countries could contribute according to their ability, although their contributions could be channelled through the regional integration bodies participating in the fund. Contributions from other public and private bodies could be mandatory on the basis of a partnership agreement or additional voluntary contributions, finalised or not, both from partners and other public and private institutions.

The fund could operate with a combination of financial instruments including *loans*, primarily for financing infrastructure and other productive projects which could also require *venture capital*. On the other hand, the fight against poverty, environmental protection measures and the promotion of social cohesion should be financed under more favourable conditions to prevent indebtedness and should involve *grants*.

Scope

The major added value of the Fund is to permit a *bi-regional focus* for European cooperation with Latin America. Therefore its scope would be policies with a regional dimension which promote interdependence, tackle problems which affect common global assets and contribute to eliminating disparities and combating poverty. The following *specific areas* fulfil the conditions mentioned: the promotion of social cohesion; interconnection infrastructure; the environment; regional energy policy; cultural cooperation; commercial integration; conflict resolution and cross-border security; and combating drug trafficking and criminal associations. To achieve these objectives the instruments covered by financing could be: regional social cohesion policies; harmonisation of legislation; improvement of national and regional financial instruments; interregional solidarity mechanisms; customs income stabilisation funds; road networks; energy networks; regional management of natural resources; institutional mechanisms for resolving disputes, conflict prevention and resolution; exchange and collaboration between intelligence services and security forces; alternative development policies and civil society networks.

[54] This could be about EUR 4 billion for the period 2007-13.

VII. CONCLUSIONS AND SUMMARY OF THE MAIN OPTIONS AND PROPOSAL FOR ACTION BY THE EUROPEAN PARLIAMENT

The EU is the principal donor in Latin America and one of the few implementing regional cooperation, but this dimension lacks operational capacity and visibility. The bi-regional solidarity fund is designed as an instrument for incorporating a new model of cooperation into the EU-Latin America and Caribbean strategic partnership, geared to tackling disparities and supporting public policies and private initiatives to deal with economic integration and globalisation.
It is necessary to identify the common interests of both regions and promote regional public goods as a driving force of regional integration. Hence the fund's bi-regional cooperation should concentrate on those sectors where the regional dimension is essential or contributes added value.

The current changing dynamics of Latin American integration are causing uncertainties but are also a response to the shortcomings of an excessively economy-based integration model, which has been unable to provide for the region's needs for development. The new initiatives require a new European approach and new instruments able to stimulate the emergence of actions leading to the generation of greater physical and social integration in the region.

The Solidarity Fund makes it possible to include the regional dimension and facilitates predictable multiannual financial commitments. Its multilateral nature strengthens the shared, contractual side, reducing the incentive effect of unilateral policies. In addition it is a very flexible instrument which makes it possible to combine different resources according to the nature of the action to be undertaken and the participation of various social actors, strengthening the social dimension of the bi-regional partnership and of the integration processes themselves, both Latin American and European.

Some of the main challenges to the progress of Latin American integration arise from the disparities between the various partners. This requires correction mechanisms which reduce negative impacts on the weakest countries and promote income convergence. The Fund would enable South-South intra-regional solidarity to be included with North-South bi-regional solidarity.

If the EU intends to maintain the position of principal donor in the region it must strengthen the financial instruments to ensure a critical mass guaranteeing effectiveness, which is why the progressive partnership of international organisations and civil society must be driven forward. The solidarity fund can become established as the leading financial instrument by reflecting the fact that the declarations on the strategic partnership have been given concrete expression, and advancing towards a multilateral model of reciprocal commitments instead of the unilateral nature of the instruments available today. This model must continue to be reflected, both in the organisational structure, and in the objectives and instruments and indeed the financing, although taking into account the disparities and the different levels of development in the region.

Although still open to other participants, the institutional structure of the fund should remain tied to the partnership mechanism in such a way that the EU-Latin America and Caribbean Summits have political control of the objectives and results, and the parliamentary bodies are incorporated. A plenary board of directors does not seem feasible, as it would have to be made up of at least the partner donors who commit a minimum level of finance, as well as the regional integration and cooperation institutions of Latin America. However, some kind of consultative body would have to be set up to permit social participation. To avoid a proliferation of actors, increasing transaction costs, it would be better to allocate the secretariat to the Commission, although alternatively a future Euro-Latin American secretariat could take this on.

A minimum capital must be guaranteed through binding contributions to avoid uncertainty as to the viability of the fund and ensure predictability, but the possibility of voluntary contributions for specific or programmes not yet finalised should be left open. The initial minimum capital would be about

EUR 500 million per year. The budget contribution from the DCECI could be about EUR 30-40 million per year. To this would have to be added the contribution from the EIB loans from the Ferrero-Waldner Facility for infrastructure. If necessary, funds could be incorporated from the Stability Instrument. Given the limited financial scope of the fund, it would seem to be better to set up a trust fund than an autonomous organisation. Two organisations offer comparative advantages: the EIB and the IDB.

The fund's scope would cover policies with a regional dimension which promote interdependence, tackle problems affecting common global assets and contribute to eliminating disparities and combating poverty. In specific terms they would cover the following: promotion of social cohesion; interconnection infrastructure; the environment; regional energy policy; cultural cooperation; commercial integration; combating drug trafficking and criminal associations; conflict resolution and cross-border security. The following instruments could be financed: regional social cohesion policies; harmonisation of legislation; improving national and regional financial instruments; interregional solidarity mechanisms; customs income stabilisation funds; road networks; energy networks; regional management of natural resources; institutional dispute resolution mechanisms; conflict prevention and resolution; exchanges and cooperation between intelligence services and security forces; alternative development policies and civil society networks.

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ACRONYMS

ACP - African, Caribbean and Pacific countries
ACS - Association of Caribbean States
AFD - French Development Agency
ALA - Latin American and Asian countries
ANC - Andean Community
BANDES - Economic and Social Development Bank of Venezuela
BCIE - Central American Bank for Economic Integration
CA - Central America
CAF - Andean Development Corporation
CARIBANK - Caribbean Development Bank
CSN - South American Community of Nations
DAC - OECD Development Aid Committee
DC - Developing Countries
DCECI - Development Cooperation and Economic Cooperation Instrument
EC - European Community
EDF - European Development Fund
EIB - European Investment Bank
EP - European Parliament
EU - European Union
FEMIP - Facility for Euro-Mediterranean Investment and Partnership
FOCEM - Mercosur Structural Convergence Fund
GDP - Gross Domestic Product
GSP - Generalised System of Preferences
HIPC - Heavily Indebted Poor Countries
IDB - Inter-American Development Bank
IIRSA - Initiative for Integration of Regional Infrastructure in South America
IMF - International Monetary Fund
KfW - German Development Finance Bank
LA - Latin America
LAC - Latin America and the Caribbean
LDC - Least Developed Countries
MDG - Millennium Development Goals
MERCOSUR - Common Market of the South
MIC - Middle-Income Countries
MS - Member States
NGOs - Non-Governmental Organisations
ODA - Official Development Aid
OPEC - Organisation of Petroleum Exporting Countries
PPP - Puebla-Panama Plan
SDR - Special Drawing Rights
SEGIB - Ibero-American General Secretariat
SELA - Permanent Secretariat of the Latin American Economic System