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## Acronyms<sup>1</sup>

AIS	Andean Integration System (comprises all the Andean regional institutions)
ALADI	Latin American Integration Association (Member States of Mercosur, the Andean Pact and Mexico, Chile and Cuba)
ALA Regulation	Council Regulation (EEC) No 443/92 of 25 February 1992 on technical and financial and economic cooperation with the countries of Asia and Latin America
ALBAN	Latin America High-Level Scholarships Programme
ALFA	Latin America Academic Training Programme
ALINVEST	Latin American investment programme for the promotion of relations between SMEs
@LIS	Latin American Information Society Programme
ATPDEA	Preferential trade arrangements from US vis-à-vis Andean countries
CAF	Andean Development Corporation
CALIDAD	Andean regional project on quality standards
CAAM	Andean Committee of Environmental Authorities
CAN	Andean Community: Bolivia, Colombia, Ecuador, Peru + AIS
CET	Common External Tariff
COMPETENCIA	Andean regional project on competition
CSN	South American Community of Nations
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DIPECHO	ECHO Disaster Preparedness Programme
DPS	Development Policy Statement
EC	European Community
ECHO	Directorate-General for Humanitarian Aid
ECLA	Economic Commission for Latin America
EC OJ	Official Journal of the European Communities
EEC	European Economic Community
EIB	European Investment Bank
EU	European Union
FDI	Foreign Direct Investment
FED	Central Bank of the United States
FTAA	Free Trade Association of the Americas
G3	Venezuela, Colombia and Mexico
GDP	Gross Domestic Product
GRANADUA	Andean regional project on customs cooperation
GSP	Generalised system of tariff preferences
GTZ	German cooperation agency
HDI	UNDP human development index
IADB	Inter-American Development Bank
IIRSA	Initiative for South American Regional Infrastructure Integration
ILO	International Labour Organisation
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDG	Millennium Development Goals
Mercosur	Southern Cone Common Market: Argentina, Brazil, Paraguay, Uruguay and Venezuela
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement: Canada, Mexico and the United States
NIP	National Indicative Programme
NGO	Non-governmental organisation
OAS	Organisation of American States
OTCA	Amazon Cooperation Treaty Organisation

<sup>1</sup> These are the most commonly used acronyms; they are not necessarily based on English names.

OECD	Organisation for Economic Cooperation and Development
PIDS	Integrated Social Development Plan (Plan Integrado de Desarrollo Social)
RIP	Regional Indicative Programme
RSP	Regional Strategy Paper
S&T	Science and technology
SGCAN	General Secretariat of the Andean Community
SPS	Sanitary and phyto-sanitary measures
TBT	Technical barriers to trade
TRTA	Trade-related technical assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNODC	United Nations Office on Drugs and Crime
US	United States
WB	World Bank
WCO	World Customs Organisation
WTO	World Trade Organisation

## **0. EXECUTIVE SUMMARY**

This strategy for the Andean Community (CAN) aims to provide a picture of the Andean Community integration system, how it has evolved and what its prospects are for the future. It presents the development cooperation objectives of the EU, provides an overview of past and ongoing cooperation activities at CAN sub-regional level and aims to present these in the more global context of complementarity with other sources of cooperation (including from other donors) and coherence with EU policies. It aims to identify the main challenges facing the Andean Community and to present a comprehensive response, not limited to cooperation activities alone.

The Andean regional integration system is one of the oldest on the Latin American continent. Despite the considerable differences between the Andean Community member countries, leading at times to serious hitches in the process, integration is being deepened and extended from purely economic and commercial matters to a wide variety of sectors, such as social cohesion, job creation, the fight against drugs and protection of the environment.

The strategy identifies integration as the major objective or challenge for the Andean Community. Cooperation between the CAN countries in a vast number of sectors is strongly encouraged because of its effect on strengthening the integration system and thereby, political stability, economic growth and sustainable development in the region. Over the years, EC cooperation with the Andean Community, supplementing EC cooperation with the individual CAN countries, has proven its added value.

Three focal sectors have been selected for cooperation activities at CAN sub-regional level: to assist the Andean Community to strengthen its economic integration, thereby giving it a stronger position in the world economy; to support initiatives to enhance social and economic cohesion within the Andean Community; and to assist the Andean countries in their difficult fight against illicit drugs, in line with the principle of shared responsibility that governs EU-CAN relations in this area.

The strategy covers the period 2007-2013. The plan is to review, in 2010, the focal sectors identified for cooperation.

An indicative allocation of € 50million has been earmarked for the Andean Community in the period 2007-2013 under the financing instrument for development cooperation (DCI). These resources can be supplemented by projects and programmes financed under the bilateral programmes for the individual CAN countries and under the Latin American regional programme as well as under thematic programmes.

## **1. EU/EC CO-OPERATION OBJECTIVES**

### **1.1. The EU Treaty objectives for external cooperation**

In accordance with Article 177 of the Treaty establishing the European Community, the Community's development cooperation policy shall foster the sustainable economic and social development of the developing countries, the smooth and gradual integration of these countries into the global economy and the fight against poverty. The Community's 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.

On the basis of Article 179 of the same Treaty, a new Development Cooperation Instrument (DCI) was adopted in December 2006. The Andean Community is eligible to participate in cooperation programmes financed under the DCI [European Parliament and Council Regulation (EEC) No. 1905/2006 of 18 December 2006 establishing a financial instrument for development cooperation.]

### **1.2. The Joint Statement on EU Development Policy “The European Consensus” (2005)**

The context for the new strategy for the period 2007–2013 is the Statement on EU Development Policy “The European Consensus on Development” adopted by the European Parliament, the Council of Ministers, the Member States and the European Commission in December 2005. This Statement underlines that the primary and overarching objective of EU development cooperation is eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs). It also highlights the importance of partnership with the developing countries combined with promotion of good governance, human rights and democracy, in order to achieve fair and equitable globalisation. The Statement sets out a differentiated approach, depending on the context and needs, and proposes a common thematic framework which includes social cohesion and employment, alongside trade and regional integration, among the priorities for Community cooperation.

The Statement on Development Policy also contains a specific chapter on mainstreaming cross-cutting issues. It specifically mentions promotion of human rights, gender equality, democracy, good governance, children's rights and the rights of indigenous peoples, conflict prevention, environmental sustainability and combating HIV/AIDS. These cross-cutting issues are both objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation.

### **1.3. Commission Communication on “A Stronger Partnership between the European Union and Latin America” (2005) and the Vienna Declaration (2006)**

In December 2005 the European Commission adopted a Communication on a renewed strategy designed to strengthen the EU-Latin America strategic partnership. With a view to the 4<sup>th</sup> EU-Latin America/Caribbean Summit which was held in Vienna in May 2006, the Communication analysed the current challenges and made practical recommendations for revitalising the partnership. Its proposals included stepping up political dialogue between the two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality and tailoring EU development and aid policy more closely to real conditions in Latin America. The Declaration of Vienna, issued by the Heads of State and Government of the European Union and of Latin America and the Caribbean on 12 May 2006, reiterates the commitment to expand and deepen EU-LAC cooperation in all areas in a spirit of mutual respect, equality and solidarity.

## **2. OUTLINE OF THE POLICY AGENDA OF THE ANDEAN COMMUNITY**

After the departure of Venezuela, the Andean Community today comprises four countries that straddle the Andes: Bolivia, Colombia, Ecuador and Peru. This regional organisation, one of the oldest in Latin America, is based on the Cartagena Agreement of 1969, which established the “Andean Pact”. Chile was originally a member of this Pact but left in 1976. Venezuela became a member in 1973 but it too left in April 2006. The current format of the Andean Community with its common institutions, i.e. the ‘Andean Integration System’ (AIS, see Annex 2), is based on the Trujillo Protocol of 1996.

### **2.1. Regional integration between the countries of the Andean Community**

The Cartagena Agreement was prompted mainly by economic considerations and the quest for more economic growth by creating a larger market. The first decisions adopted by the Ministers of the Andean Pact therefore focused almost exclusively on economic matters. Although integration was slow at first, it gained impetus strongly in the 1990’s, with intra-CAN trade growing significantly, partly due to the establishment of a free trade area between four of the then five Andean countries (except Peru), but also on account of the common rules adopted in various sectors such as agriculture, intellectual property, investment, competition and trade defence instruments.

The entry into force of the Trujillo Protocol in 1997 marked another important step towards Andean integration. Firstly, because it transformed the “Andean Pact” into the “Andean Community”, creating the Andean Integration System with new regional institutions and, secondly, because it prepared the way for extending the Andean integration agenda to include matters going beyond purely trade. This led, for example, to the adoption of decisions to elect the members of the Andean Parliament directly and to facilitate the free movement of persons (such as introduction of the Andean passport and the possibility to use national identification documents to travel in the region).



All this led to a very ambitious integration project, to some extent aiming to parallel Europe's experience. Policy guidance is provided by the Andean Presidential Council, which meets once or twice a year. Legislation is proposed by the Andean General Secretariat in close cooperation with the member countries (there is a joint right of initiative but in practice SG-CAN comes up with proposals after having checked with the member countries). Legislation is adopted by the Andean Council of Ministers whose membership depends on the subject. SG-CAN may also adopt "resolutions" in fields covered by its "own" powers or by powers delegated to it by the Andean Council of Ministers. The Andean Parliament has a consultative role, as do two committees, one representing employers, the other the labour unions (these two committees regularly meet together). CAN legislation is directly applicable (no transposition in the member countries is necessary) and prevails over national law (whether pre-existing or adopted afterwards). Since the Cartagena Agreement entered into force in 1969, more than 600 CAN Decisions have been adopted. Actual implementation of the legislation is monitored by SG-CAN and the Andean Court of Justice. The Court of Justice can not only render non-compliance judgments, but also instruct countries to adopt legislation or to amend rules which are not in line with the Andean "*acquis*". It can also reply to requests for preliminary rulings and authorise sanctions on countries which persist in failing to comply with Court judgments. Individuals can file complaints with SG-CAN or directly with the Court of Justice.

In the early 2000s the political and economic circumstances of the Andean countries were less encouraging for deepening Andean integration. All the countries were suffering political and/or economic difficulties. This context did not allow priority to be given to the regional agenda. Declining intra-CAN trade was accompanied by difficulties with adopting a Common External Tariff, more and more infringements of CAN rules and a proliferation of trade defence measures. Against this background, a division emerged between those who felt that Andean integration should concentrate on and be limited to economic and commercial matters and those attaching increasing importance to political and social issues.

Fresh impetus for integration emerged with the adoption of a "Multi-dimensional integration agenda" in June 2003 at the Presidential Summit in Quirama. In the same year important decisions were taken to harmonise the Common External Tariff (CET). However, as the date of entry into force of the CET (1 January 2004) drew closer, economic operators, first from Peru and soon also from other Andean countries, expressed reluctance and entry into force of the CET was postponed. Nevertheless, the integration agenda kept widening, the economy started growing again and intra-CAN trade increased. The arrival of a new Secretary General provided a push towards adoption of a "New Strategic Design" which led, among other things, to adoption of the CAN's "Integrated Social Development Plan" in September 2004, adoption of common Andean legislation on chemical precursors and adoption of an Andean strategy on sustainable integrated alternative development. In July 2005, during the Andean Presidential Summit in Lima, this new direction for the Andean integration process was confirmed by the

adoption of the Lima Declaration on Democracy, Development and Social Cohesion plus a series of new initiatives in various areas.

The most significant challenge to the Andean integration system came in 2006 when Venezuela decided to leave the Andean Community because some of its member countries were negotiating and/or concluding free trade agreements with the United States. The major crisis which this brought about was not overcome until mid-June 2006 when the Presidents of the four remaining countries renewed their commitment to the Andean Community and its regional integration process at an extraordinary summit in Quito. This renewed confidence in the CAN regional integration system and its new attractions were later illustrated when Chile announced that it was interested in becoming an associate member of the Andean Community.

## **2.2. The international agenda of the Andean Community**

The external relations of the Andean Community have multiplied over the last couple of years. First of all, at the Guadalajara Summit in May 2004, the Heads of State and Government of the EU and the Andean Community declared that the conclusion of an Association Agreement, including a free trade area, between the two regions had become their “common strategic objective”. As a preparatory phase, a joint assessment of regional economic integration was successfully completed in the course of 2005/2006. Negotiations are scheduled to start in 2007. This process should provide further impetus towards regional integration.

Secondly, in May 2004 the Andean countries (Colombia, Peru and Ecuador, plus Bolivia with observer status) initiated negotiations with the United States with a view to concluding bilateral free trade agreements (given that the ATPDEA preferential trade arrangements with the US were expected to disappear by the end of 2006). In this context CAN Decision 598 was adopted during the Andean Presidential Summit in Quito in July 2004. This Decision allows the individual CAN countries to negotiate bilaterally with non-CAN countries while emphasising that the Andean “acquis” prevails and that benefits obtained in such negotiations should, as far as possible, be extended to other Andean Community countries that do not participate directly in these negotiations. At present, Peru and Colombia have successfully concluded agreements with the US. Ecuador’s negotiations have been suspended and Bolivia has never yet entered real negotiations. This process led Venezuela to decide to leave the Andean Community in April 2006.

Finally, the Andean Community countries and the Mercosur countries have also drawn closer together with the conclusion of a free trade agreement between the two regions, which entered into force in April 2005. The signature of the Cuzco Declaration in December 2004 establishing the South American Community of Nations, including the CAN and Mercosur plus Chile, Guyana and Suriname, further illustrates the new efforts being made to strengthen integration on the South American continent. It should also be noted that Venezuela joined Mercosur after it left the Andean Community and that Chile

and Mexico are said to be considering possible closer association with the Andean Community.

### **3. AN ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION**

#### **3.1 Analysis of the political situation**

Since the Andean Community was founded in 1969, it has gone through repeated turmoil. In 2006, however, the regional integration system experienced one of its deepest crises ever. This appears to have been triggered by the negotiations which certain CAN countries had embarked with a view to concluding bilateral free trade agreements with the US. As conclusion of these negotiations drew closer, the tension grew and revealed deep political divisions with an obvious and widening ideological split between the then five CAN countries. This led Venezuela to announce that it had decided its decision to leave the Andean Community and this decision in turn led to speculation about Bolivia potentially following in its steps or even about complete dissolution of the CAN altogether. In the end, this scenario did not materialise and a successful extraordinary Presidential Summit in Quito in June 2006 managed to save the CAN by securing a renewed commitment from the remaining CAN countries to deepening the integration process.

From a national perspective, despite many gradual reforms and democratic processes, the political situation in all of the CAN countries remains fragile and the domestic problems have not abated over recent years. This is mostly due to the persistent poverty in the region. Political parties are failing to fulfil society's expectations, equal and effective protection under the law and adequate funding for social services remain insufficient.

Political changes were on the agenda throughout 2005/2006 with elections taking place in all CAN countries. Therefore, by the time the new programming period starts in 2007, the political scene in the CAN will have changed significantly from the current situation.

#### **3.2 Analysis of the economic and social situation**

The process of harmonisation of macroeconomic policies within the CAN was initiated in the second half of the 1990s. The countries adopted a convergence criterion for inflation in 1999, consisting of gradually reaching single-digit annual inflation rates, followed, in 2001, by two criteria for the public-sector deficit (the deficit of the non-financial public sector should not exceed 3% of GDP) and public debt (the balance of the public debt, external and internal, should not exceed 50% of GDP). These criteria have not been met fully.

After a period of economic crisis and decline beginning at the end of the 1990s, the economies of the CAN countries recovered during 2004, recording not only growth in GDP, but also progress on practically all the principal economic indicators, such as investment, domestic savings, employment, trade balance, inflation, external debt, risk

margins, etc. For figures, see Annex 3. The progress can be explained by various factors, notably benefits from trade agreements and policies designed to protect macroeconomic stability.

In spite of the fact that the CAN countries are economically more stable than during the 1990s and that medium-term prospects are favourable, the region is exposed to external and internal risks. External factors are constantly changing: for example, the cycle of interest rate increases initiated by the United States FED in 2005 could hit public finances as could the increase in the international price of petroleum. Furthermore, the social and political instability in the region has affected foreign direct investment (FDI) in the CAN countries which has fallen, especially in Bolivia but also in Ecuador and Peru.

From a social point of view, the uneven wealth distribution in the Andean Community remains very pronounced with the income concentration index among the highest in Latin America. Almost half of the Andean population lives in poverty, of whom nearly a quarter are of indigenous origin. Environmental problems contribute to this lack of social cohesion as the livelihoods of the poorest segments of the rural and indigenous population often depend entirely on natural resources. Social protection services for the poorest and most vulnerable parts of the population are inadequate, inefficient and precarious. The quality of education for the majority of the poor is very low. Unemployment and underemployment are high in all countries in the region and job insecurity is increasing. The existing inequalities are structural and are not only between people but also very marked between regions. The fact that the average income is not achieved in half of the Andean regions makes redistributive policies very difficult.

While historically the Andean Community has concentrated largely on economic integration between its member countries, social affairs have gradually been added to its agenda. One of the priorities in the 'New Strategic Design' which the CAN started to implement in 2004 is "development with social inclusion" with a view to greater social, economic and territorial cohesion. One important step towards strengthening this social agenda was the adoption, in September 2004, of the Andean "Integrated Social Development Plan" (PIDS). The PIDS aims at establishing a regional work programme on social cohesion based on coordination and participation of all relevant authorities, with a view to supporting the efforts made by each individual member country to combat poverty and social exclusion. While it does not yet constitute an overall strategic approach to social cohesion, it does contain potential for development of such a strategy in the future. Adoption of this plan marks the first strong political commitment to improving governance and promoting a comprehensive approach to social cohesion at regional "Andean Community" level. The plan contains a series of CAN programmes and projects in a wide variety of sectors, such as employment, health, education and culture, rural development and the environment. It also promotes progressive convergence towards agreed social objectives and targets with a view to attaining the Millennium Development Goals. Finally, it encourages exchanges of information on policy and methods, awareness-raising activities and short-term technical counselling.

### **3.3 Pattern of trade**

The internal market of the Andean Community is characterised by rather low, but growing, trade. Colombia is the country which exports most to the Andean market. Figures can be found in Annex 3.

The primary focus of the internal trade agenda is completion of the Andean common market. Regarding this objective, establishment of a CET is no longer a priority for the CAN, which argues that its relevance in this globalised world has diminished significantly. Instead, the CAN is aiming for a Common Tariff Policy consisting of a “flexible definition” of external tariffs and abandonment of increases in national tariffs, while establishing mechanisms to facilitate negotiations with non-CAN countries/regions.

Peru opened up its market to the other member countries as from 1 January 2006. The other member countries had already abolished all tariffs on goods traded within the CAN (including exports from Peru) since the mid-1990's.

Completion of the Andean common market also includes ensuring the free movement of persons, adoption of common provisions and harmonisation of existing legislation on technical regulations and standards, free provision of services, sanitary and phyto-sanitary measures, intellectual property rights, etc.. The joint assessment exercise between the EU and the CAN aimed at determining the level of regional economic integration achieved to date in all these areas.

The CAN recorded a considerable increase in exports to the rest of the world in 2004 (+35%). This trend seemed to be continuing during 2005. The main products exported to the rest of the world are commodities, while intra-CAN trade is dominated by manufactured products with higher added value.

The CAN ranks relatively high among the EU's main trading partners (29<sup>th</sup> before Venezuela left), with imports and exports accounting for approximately 0.5% of the EU's world trade. The US is the principal trading partner for the CAN, followed by the EU. As regards FDI, the EU holds the largest portfolio of investments in the Andean Community countries.

The CAN is practising what could be called “open” integration, shaped by the idea that convergence between the member countries should not be an obstacle to negotiations between the CAN, or its individual members, and non-CAN countries or regions. Consequently, each member country has different trade agreements with non-CAN countries or regions, for example the Mercosur market is a very important destination for Bolivia's exports, while Peru trades heavily with Asia and Colombia has close trade relations with Mexico and some Central American countries.

### **3.4 Analysis of the environmental situation<sup>2</sup>**

The Andean Community countries share some very important geographical features (such as the Andean cordillera and the Amazon basin), but are also characterised by enormous ecological diversity; every imaginable environmental issue and problem is relevant to this region. As regards management of natural resources, rapid and serious devastation of forests and biodiversity can be seen, mainly due to the inroads made by agriculture, inappropriate forestry methods and illegal logging. The Andean region is one of the regions most vulnerable to natural disasters and to the effects of climate change and requires assistance with both its mitigation and adaptation efforts. Heavy demographic pressure, unsuitable agricultural methods and cultivation on inappropriate terrains (e.g. on steep slopes) lead to soil loss and soil and water contamination. Freshwater resources remain widely available but unevenly distributed and access to clean drinking water and adequate sanitation remains limited. Industries, large and small, wreak serious damage on the environment in different ways (deforestation and contamination). Environmental quality in urban areas, especially in the mega-cities (like Lima with its 8 million inhabitants), is low. Air pollution is serious.

The low quality of education and persistent governance problems in the Andean countries are hampering the success of environmental policies. All these countries have embarked on decentralisation processes, but there is still a considerable degree of government centralisation, which may also be seen as an obstacle to effective and efficient environmental policy. The difficulties with protecting the many natural reserves and protected areas of different kinds illustrate this. One reason for this is the weakness of the institutions that are supposed to be responsible for protection and control. Civil society is becoming stronger and more involved in political affairs and governance, but only gradually.

At regional level, the first joint effort by the Andean Community countries in this area was the adoption in 2001 of the “Guidelines for environmental management and sustainable development in the Andean Community”. In 2003, the Ministers of the Environment (and equivalents) approved the “Andean Plan for Follow-up of the Johannesburg Summit on Sustainable Development”. This defined specific action to be taken by 2005 in three priority areas: climate change, biodiversity, and water and sanitation.

The Integrated Social Development Plan adopted in September 2004 (see above) also covers the environment and sustainable development (one project profile for “Economic Assessment and Sustainable Use of Biodiversity” and another called “Programme for Sustainable Management of Water Resources”).

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<sup>2</sup> In the beginning of 2005, a Regional Environmental Profile for the Andean Community countries was prepared by external consultants. This report can be consulted on the Andean Community webpages of the Europa website; a summary can be found in Annex 4 of this document

In November 2005 the Council of Ministers for the Environment and Sustainable Development adopted an “Andean Environment Agenda for 2006-2010”. Among other things, this gives special priority to: protection of genetic resources and the traditional knowledge of indigenous populations; establishment of Andean institutions for the conservation and sustainable use of biodiversity; design of an Andean Strategy on climate change; and preparation of policy for integrated management of water resources.

### **3.5. The fight against illicit drugs**

All (100%) of the coca produced in the world is cultivated on Andean soil, in particular in Colombia, Peru and Bolivia (but with significant spill-over effects and some production starting in Ecuador as well). According to the latest reports from the UNODC, production decreased by 3% last year. Comparing the three countries, Colombia accounts for some 70%, Peru 20% and Bolivia 10% of global production, estimated in 2005 at about 910 metric tonnes.

Political instability, combined with poverty, weak governance and increasing demand for cocaine, are nourishing production and trafficking of illicit drugs, which remains a very significant destabilising factor.

The international community, and the EU in particular, recognises the “shared responsibility” it bears in this area. The EU and the Andean Community are holding a series of dialogues to exchange views and coordinate activities at multilateral level (in the context of the UN), at EU-LAC level (through the EU-LAC Coordination and Cooperation Mechanism in the area of drugs) and at EU-CAN level (through the EU-CAN High-Level Specialised Dialogue on Drugs and the EC-CAN Precursor Agreements/meetings). The EU and its Member States are also supporting the CAN countries in their fight against drugs and trafficking through many cooperation activities. To date EC cooperation activities at national level have been focusing mainly on comprehensive alternative development projects.

More and more, awareness is gaining ground that regional action to address similar problems in the drugs area has an added value. An initial effort to put the fight against illicit drugs on the Andean agenda was the adoption of the first Andean strategy on the fight against drugs and related crime in 2002. Cooperation between the CAN countries further intensified in the area of chemical precursors, notably with the adoption of common CAN legislation on this subject at the end of 2004 and implementation of a sub-regional project on cooperation in this area financed by the EC (PRECAN). The establishment of an Andean Committee on Alternative Development (CADA) made up of representatives of all CAN countries and serving to exchange views on how to stimulate alternative development, in turn led, in July 2005, to the adoption of a common strategy on sustainable alternative development.

### **3.6. Cross-cutting issues**

An analytical description of the cross-cutting issues of human rights and democracy, gender equality, culture, migration, environmental sustainability, good governance, conflict prevention, combating HIV/AIDS, children's rights and indigenous peoples' rights is best carried out at country rather than CAN level, due to the divergences between the individual countries. However, it is noteworthy that the Andean Community itself is becoming more and more active in these areas and, as explained in Chapter 2, has increasingly been enlarging the scope of its agenda to encompass such issues.

## **4. AN OVERVIEW OF PAST AND ONGOING EC CO-OPERATION, COORDINATION AND COHERENCE.**

### **4.1. Past and ongoing cooperation**

#### **4.1.1. Cooperation in the past**

The European Community started its first sub-regional cooperation activities with the Andean Community (or "Andean Pact" as it was called at that time) in the 1970s. Although the overall amounts were not very large, the importance of this lay in the political sign given by the EC in supporting the integration efforts in the region. The cooperation activities focused mainly on:

- ***Support for the Andean integration process:*** The majority of the resources went to technical assistance and institution-building. The beneficiaries were mostly the Andean regional institutions, in particular the CAN General Secretariat (formerly the "JUNAC"), and to a lesser extent the other Andean institutions such as the Andean Court of Justice, the Andres Bello Convention, the CAF, etc. The general objective was to strengthen the Andean institutions and to improve their capacity in the areas for which they are each responsible.
- ***Support for specific sectoral policies:*** Examples of sectors supported in the past are the environment, energy and fisheries. Support was also given to some bi-national initiatives (the programme for Lake Titicaca between Peru and Bolivia). The general objective of this kind of support was twofold: to guarantee the transfer of European technical knowledge in specific areas and to promote a cooperation dynamic between the countries of the region in order to stimulate the integration process indirectly.

#### **4.1.2. Ongoing cooperation**

As from the year 2000, the approach to cooperation with the Latin American countries started to be seen in the more global context of multi-annual strategies. The European Commission adopted its first regional strategy for the Andean Community in May 2002, covering the five years from 2002 to 2006. The two major objectives of this strategy were: to support Andean integration and to support an "Andean zone of peace". The strategy was built around the set of instruments the EU has for implementing its support in these two areas, notably the political dialogue it has put in place with the Andean



Community, the specific trade arrangement that governs imports of Andean goods to the EU market and its cooperation activities programmed for the region.

Similar strategies have also been developed for the individual Andean countries, governing bilateral relations between them and the European Union, and at the level of Latin America as a whole. The principle of subsidiarity has guided the European Commission in deciding which cooperation activities need to be programmed at which level<sup>3</sup>.

The cooperation part of the regional strategy for the Andean Community for the period 2002-2006 had a financial envelope of some €29 million. Following the revision in 2004, the following projects come under this strategy:

- **Disaster prevention** : this project aims to foster coordination and stimulate exchanges of experience between the different national institutions and organisations responsible for disaster prevention (EC contribution of € 9.45 million);
- **Statistics**: this project supports harmonisation of statistical methodologies between the countries of the Andean Community in order to facilitate the integration process (EC contribution of € 5 million);
- **Trade-related technical assistance**: three projects are aiming to consolidate and strengthen the regional economic integration process, i.e. the establishment of an Andean common market (EC contribution totalling €8 million);
- **Civil society**: this project is intended to contribute to better involvement of civil society in the Andean regional integration process (EC contribution of € 4.1 million);
- **Synthetic drugs**: this project aims to address the potentially fast-growing problem of synthetic drugs at an early stage (EC contribution of €2.55 million)

Although strictly speaking not falling within this regional strategy because they were programmed beforehand, three other recently completed regional projects must also be mentioned: a project on customs cooperation (“*Granadua*”; EC: €1.9 million; completed in 2003), a project aiming to improve the quality infrastructure for production of goods, covering common standards and technical regulations (“*Calidad*”; EC: €2.3 million; completed in 2005) and a project for harmonisation of the competition rules between the five Andean countries (“*Competencia*”; EC: €2 million; completed in 2005).

Scientific cooperation with Andean countries has further been sustained at a modest level throughout successive research framework programmes. In the 6<sup>th</sup> Research Framework Programme (FP6), their collaboration with European teams focused on environmental themes (water, forestry, coastal zone management etc...), basic food security and health/public health. Some 45 teams from the four Andean countries participate in more than 30 research collaborations. While not labelled ‘Andean Community’, these projects are an important connection between research teams and their international peers, thus

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<sup>3</sup> The principle of subsidiarity governs the division of labour between different levels of government/administration; only tasks that cannot be carried out effectively at a lower level should be referred up to a higher level

contributing to strengthening the research capacity in the region as well as providing new knowledge for solving basic problems in the specific Andean context.

Apart from the cooperation programmed under the geographic strategies, horizontal budget lines also address specific themes, such as deforestation, uprooted people, human rights, etc. The resulting projects are an integral part of the EU's approach to the region or country in question. A number of projects under the horizontal budget lines have a regional Andean dimension:

- ***From the Drugs budget line:*** a the PRECAN project aiming to improve coordination between the Andean countries to control chemical precursors (EC: €1.6 million)
- ***From the Human Rights and Democracy budget line:*** a project aiming to contribute to consolidation of stability through support for the design of a common foreign security policy at Andean level (EC: €1 million)
- ***From the Human Rights and Democracy budget line:*** a project aiming to put in place an Andean Human Rights Programme, consisting of four national and two regional programmes (EC: €11.4 million)
- ***From the Humanitarian Aid budget line:*** the DIPECHO programme for the Andean Community aiming to help reduce the risk to the populations most vulnerable populations to natural disasters through improved preparedness (EC: €4 million was allocated under the 3<sup>rd</sup> DIPECHO Action Plan in 2003 and €4,5 million was allocated under the 4<sup>th</sup> DIPECHO Action Plan for projects to be implemented in 2006)
- ***From the Actions relating to Anti-personnel Landmines budget line:*** a project in the border region between Peru and Ecuador (the Condor mountain range) aiming at detection, removal and destruction of anti-personnel mines and UXOs (EC: €1 million).

Following Venezuela's decision to leave the Andean Community, during a transition period this country may continue to benefit from any CAN projects it wishes to remain associated with.

#### *Lessons learnt*

While it is still early to draw conclusions, the indications from the latest programming period (from 2002 to 2006) are that, after a slow start, project preparation and implementation are accelerating. However, it could be added that cooperation at sub-regional CAN level has proven difficult at times because of the rapidly changing administrations and political agendas in the Andean Community countries (illustrated by the many changes of national coordinators for one and the same project), the limited human and other resources of the Andean Community's General Secretariat (the main CAN body responsible for implementation of regional projects) and delayed payment of counterpart funds from the CAN countries. The need to improve project "ownership" is one of the most important lessons to be learnt from the current programming period. With a view to increasing this "ownership" consultations have been held on the focal areas for cooperation in the next programming period both with civil society and with the individual governments, including a workshop in Lima in June 2005. Furthermore, the intention is in future to co-finance projects tailored more closely to the specific needs of each country.

## **4.2. Information on the cooperation activities of EU Member States and other donors**

As regards project coordination, overlaps with other regional projects have occurred but only to a very limited extent. In fact, very few donors are cooperating with the Andean Community as a regional entity. As for the EU Member States, apart from some bi-national projects, there are very few projects on a regional scale. France is a regular donor. Examples of projects given by Member States are: two German projects on integrated management of hydrologic basins and basic sanitation, a disaster prevention project funded by the United Kingdom and a Swedish project on drugs control. The interest of EU Member States in cooperating at CAN sub-regional level is understood to be increasing. Spain, for example, signed a Memorandum of Understanding with the CAN General Secretariat in July 2006, committing itself to cooperate in the areas of social cohesion, democratic governance, territorial and border development and protection of the environment. Finland is currently preparing a project on Amazonian biodiversity, which could start in 2008. The aim would be to contribute to knowledge and sustainable use of biodiversity in the western Amazon, covering the Andean countries.

The other main donors to the Andean Community integration system are the Inter-American Development Bank (IADB), the CAF and the US. Some although limited overlapping between EU and IADB projects as well as between regional CAN projects and national projects financed either by the EU or by individual EU Member States and/or other donors was identified; this has been the case in particular for trade-related technical assistance.

Finally, it should be added that one of the Andean institutions itself, the Andean Development Corporation (CAF), apart from lending for private, sub-regional projects and investments, also grants technical assistance and is very much involved in global infrastructure and transport projects (such as the IIRSA Programme). And in July 2005 the EIB granted a global loan of €40 million to finance small and medium-scale projects.

### *Lessons learnt*

In accordance with the principles of the 2005 Paris Declaration on aid effectiveness, complementarity and coordination are the objective. Mutual exchange of information on programming and project implementation should be the first step towards this end. This is particularly necessary where other “regional” donors are involved, such as the IADB at present and some EU Member States in the future. Looking ahead to the new programming period, information-sharing has been enhanced at a very early stage of the exercise, for example through regular meetings between the Commission and the IADB and through consultation of the Member States present in the individual countries.

### **4.3. Complementarity and coherence between different levels of EC programming**

Complementarity and coordination, as spelled out in the 2005 Paris Declaration on aid effectiveness, are not only important between the different donors but are also underpinning EC programming at different levels. EC programming exercises at regional (Latin American), sub-regional and national levels should reflect the subsidiarity principle (in other words, should pay due attention to the question of the best level at which a certain objective can be achieved). In the case of the Andean Community, full complementarity is difficult to achieve considering the differences between its members. For the new programming period, however, particular attention has been paid to avoiding any overlap. For example, regional economic integration efforts are supported at CAN sub-regional level, while promotion of exports of national produce is kept at the national programming level – if indeed identified as a focal sector. Another example is the complementarity sought in the area of social cohesion, where nationally programmed activities could be backed up by very specific regional field projects.

### **4.4. Coherence with EU/EC policies**

Various policy areas in which the EU is active have some direct or indirect link with EU-Andean Community relations. The most important of those policies that are relevant at Andean Community level, i.e. for all Andean Community countries, are outlined below.

#### Trade

In line with Article 131 of the EC Treaty which states that the objective of the Union's commercial policy is *“to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers”*, the main objective of the Union's trade policy towards the Andean Community are:

- to strengthen and expand trading relations between the EU and the Andean Community on the basis of transparent and non-discriminatory multilateral rules, notably by strengthening cooperation in the context of the WTO;
- to support regional trade and economic integration in the Andean Community, notably by encouraging intensification of this process before and during negotiations on an Association Agreement, including a free trade area;
- to support the Andean Community in its efforts to fulfil its international commitments, in particular on sustainable development and good governance, notably by granting favourable access to the EU market through the GSP+ incentive.

The EU's insistence on good governance, sustainable development (GSP+), multilateralism (WTO) and regional economic integration is at the top of the agenda for EU-CAN relations. The past and proposed strategies reflect continuity in this respect.

Under this “trade” heading, mention must also be made of the EU's consumer protection policy, in particular the sanitary and phyto-sanitary controls imposed by the EU to safeguard the health, safety and economic interests of its consumers and protect public

health. Some non-EU countries, or economic sectors, view this policy as a form of non-tariff trade protection that prevents access by some products – mainly agricultural – to European markets. Another cause for concern is the EU's agricultural policy, which is often perceived by non-EU countries as over-protectionist.

### Social and economic cohesion

As in Europe, awareness has grown in the Andean Community too that its regional economic integration must be accompanied by better social and economic cohesion if it is to be sustainable. There is a keen interest both in having the EU promote its social model in Latin America and also in the Andean Community learning about the EU's experience on the social front, in terms of method (definition of common objectives and indicators to measure progress), policy approaches (integrated and strategic approach towards social development), governance approach (partnership between public authorities, social partners and civil society) and financial instruments (EU experience of promoting social cohesion through the structural funds).

Following the EU-LAC Summit in Guadalajara in May 2004, at which social cohesion was one of the priorities on the agenda, the CAN confirmed its commitment to addressing social cohesion by adopting its “Integrated Social Development Plan” (PIDS). This plan maps out a series of programmes on subjects as diverse as health, education, the environment, indigenous people, children and women, and is specifically linked to attainment of the Millennium Development Goals. The bottom-up approach taken in this plan, with active input of national monitoring committees, mirrors the open method of coordination applied by the EU in the social field. The Commission's interest in this plan and its potential to evolve into a comprehensive social cohesion strategy led to intense cooperation between the European Commission and the CAN Secretariat General in the course of 2005. Examples are the resurgence of social issues in the political dialogue between the two regions and the technical assistance for further development and implementation of the PIDS.

Furthermore, to address the regional disparities, the CAN has also announced that it intends to formulate an “Andean Strategy on Territorial Development” with a view to balanced and harmonious development of Andean regions, environmental sustainability and territorial cohesion.

In contrast to the past regional strategy, the new strategy puts social and economic cohesion among its top priorities.

### The fight against illicit drugs

Another important EU policy with high priority in EU-CAN relations is the fight against drugs. This is not surprising given that virtually all the cocaine consumed in Europe is produced from coca leaves cultivated in one of the Andean countries.

The EU policy to combat consumption, production and trafficking of illicit drugs is set out in the 2005-2012 EU Drugs Strategy (and in the new Action Plan for 2005-2008<sup>4</sup>), providing a framework for a balanced, integrated approach to the problem of illicit drugs. This strategy concentrates on demand and supply reduction and includes international co-operation. At external level, the EU Drugs Strategy is based on closer coordination of the fight against drugs and on supporting the development of relations between non-EU countries and the EU. It is guided by the principle of shared responsibility. This was given firmer shape in the EU-Latin America Panama Action Plan adopted and ratified in 1999. Chapter 3 places at the disposal of the EU and CAN a series of instruments to address the issue jointly, such as multilateral discussions in the UN Commission on Narcotic Drugs, the meetings of the EU-LAC Coordination and Cooperation Mechanism on Drugs, the preferential trade access granted to CAN countries under the GSP+ system, the regular EU-CAN High-Level Specialised Dialogues on Drugs and the agreements and meetings between the EC and the countries of the Andean Community on chemical precursors.

Finally, the proposed strategies are in line with the EU's general development policy (see Chapter 1) and with the external dimensions of its environmental policy, its migration policy, its R&D policy, its information society policy, etc. Moreover, the European Commission recently introduced an impact assessment tool, applicable to its main proposals in all its policy areas to improve the consistency of its measures.

## **5. THE EC RESPONSE STRATEGY (INTERVENTION SECTORS)**

### **5.1. General response strategy**

The Andean Community faces confronted with many challenges. The most important are: the sustainability of democracy, political stability, respect for human rights and the rule of law, social cohesion and economic development, the fight against drugs and protection of the environment. The EU has different instruments at its disposal to help the Andean Community meet these challenges. Cooperation activities are only one instrument alongside political dialogue, the preferential trade arrangements or the various sectoral, policies and dialogues.

As regards political dialogue, the 1996 Rome Declaration provides for ad hoc presidential and ministerial meetings between the Andean Community and the EU. The Political Dialogue and Cooperation Agreement of December 2003 institutionalises this political dialogue and expands it to new areas of common interest, such as migration, conflict prevention, good governance and counter-terrorism. This Agreement will enter into force once the ratification procedures have been concluded. It prepares the way for the future negotiation of an Association Agreement, which has become a "common strategic objective" of both regions according to the Declaration of Heads of State and Government at the EU-LAC Summit in Guadalajara in May 2004.

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<sup>4</sup> Official Journal, C – 168, 8.7.05

EU-CAN trade relations are governed by the special GSP+ incentive, part of the general GSP system. This special incentive rewards vulnerable countries that promote sustainable development and good governance by granting their exports preferential access to the EU market. More precisely, countries are eligible for this scheme if they undertake to ratify and effectively implement a number of core international labour and human rights (UN/ILO), environmental and good governance conventions. On the basis of assessments by the relevant international monitoring bodies, all Andean countries have been judged eligible for the GSP+ scheme. In order further to support, sustain and enhance the efforts of the countries in these areas, not only is respect for human and labour rights mainstreamed in all the focal sectors selected under this strategy but also specific projects may be funded under the focal sector “social and economic cohesion”. Combined with the most favoured nation (MFN) provisions, this mechanism allows some 90% of Andean exports to enter the EU free of customs duties.

In future the Association Agreement, which will include a free trade area, will replace the GSP preferential arrangements. Before negotiations on such an agreement actually start, it was considered that a sufficient level of regional economic integration had to be achieved. In order to measure this level, a joint assessment exercise on regional economic integration was carried out. To assist the Andean Community in its regional economic integration process, in particular in the areas identified as weakest in the resulting joint report, “regional economic integration” has been chosen as one of the focal areas for cooperation under this regional strategy. It was also in the previous strategy, as illustrated by the three regional projects just completed on customs, quality infrastructure and competition and by the ongoing and planned trade-related technical assistance projects programmed under the 2002-2006 strategy.

In addition to regional integration, the Guadalajara Summit also made social cohesion one of the top priorities for the two regions. The Andean Community showed its growing interest in a regional approach to social matters by adopting an Integrated Social Development Plan (PIDS, see above) in September 2004. Since then, with the assistance of the European Commission, work has continued on further developing and implementing this plan. The CAN intends to use this as a basis for a comprehensive strategy on social cohesion at sub-regional level in the future. Social cohesion is now also on the agenda for the regular political dialogue between the two regions, as illustrated notably by the joint statement<sup>5</sup> issued in July 2005 by the External Relations Commissioner, Ms. Ferrero-Waldner, and the then CAN Secretary General, Mr. Wagner, confirming their commitment to intensifying cooperation in this area. This growing interest from the Andean side allows this strategy, unlike earlier cooperation activities at regional level, to address on social and economic cohesion, in its broadest sense, as one of its focal sectors for the period 2007-2013.

The fight against drugs also occupies a prominent position in EU-CAN relations, not least because the Andean region is the biggest coca producing region in the world and the EU, together with the United States, is the main consumer of cocaine. Inside the EU, the EU is playing its part through its continuous efforts to reduce cocaine consumption. Externally,

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<sup>5</sup> Published on the CAN website: [www.comunidadandina.org](http://www.comunidadandina.org)

efforts are being made in the form of political dialogue, trade preferences and cooperation activities. The Andean region is the only region in the world with which the EU maintains an annual “*High-Level Specialised Dialogue on Drugs*”. This dialogue has led, among other things, to signature of Agreements on Precursors between the EC and each Andean country, in the framework of which regular follow-up meetings are held at EU-CAN level. In addition, at Latin American and Caribbean level, the mechanism for coordination and cooperation in the area of drugs, which convenes once a year, is an important instrument in the political dialogue. As far as trade preferences are concerned, the EU continues to offer very favourable terms of trade for exports from the Andean countries through its GSP+ system. Finally, there are numerous cooperation activities at both regional and national levels. At country level, cooperation to date has focused strongly on alternative development, while at regional level chemical precursors and synthetic drugs are being addressed. In the 2007-2013 regional strategy, drugs has been selected as one of the main focal areas for cooperation at CAN regional level. However, this does not exclude other cooperation activities funded by other budgetary instruments.

As regards good governance and regional security, it is essential to support and enhance efforts by both civil society and official Andean authorities in the fight against trafficking in and the illicit spread of small arms and light weapons (SALW), the proliferation of weapons of mass destruction (WMD) and contamination by explosive remnants of war and anti-personnel landmines. It is also important to support the efforts being made to fulfil international obligations in the fight against terrorism. Cross-border and regional initiatives in this respect are being encouraged.

Migration is another sector growing in importance. It was included in the EU-CAN Political Dialogue and Cooperation Agreement of December 2003. In March 2004, a major gathering of experts in the form of an EU-LAC seminar on migration was held in Quito, followed by another such seminar in Cartagena in March 2006. The issue of migration, and of remittances in this context, is becoming increasingly important for the Andean countries, in particular for Ecuador and Bolivia. Political dialogue should be strengthened in this area and cooperation activities may be considered under the focal sector on social and economic cohesion in this regional strategy. Due consideration should also be given to possibly including cooperation activities under the horizontal budget line on migration at regional, sub-regional CAN and/or national CAN country level.

The protection of the environment is of major importance both to the Andean Community and to the EU, in particular because of the very rich biodiversity which the countries of the Andean Community possess. Poor management of natural resources results in greater environmental deterioration and leads to increased health and social problems, among others. On the other hand, if sustainably managed, these resources have the potential to reinforce the economy. The environment is particularly important in fostering regional integration as most environmental challenges are not confined within the borders of a single country and therefore provide a good incentive for countries to cooperate. Efforts to address environmental concerns at CAN regional level by the Andean Community itself are being stepped up, partly through inclusion of the environment as a sub-sector in



the Integrated Social Development Plan (see above). Notwithstanding possible cooperation activities funded by the Latin American regional programme and the horizontal budget line on the environment, in line with the Joint Declaration resulting from the 4<sup>th</sup> World Water Forum in March 2006, it is in the context of the focal sector for social and economic cohesion that environment protection cooperation should be considered in the CAN regional programming. Beyond that, the environment should be given greater priority in the political dialogue between the two regions. The priorities are climate change, water, biodiversity and forests. In order to ensure the environmental sustainability of EC operations, environmental impact assessments will be carried out at individual project level where appropriate and the results will be taken into account.

Another sector high on the agenda of the Andean Community and the EU is promotion of a knowledge society: research and development, culture and education and the information society. To some extent, this area falls under the “social and economic cohesion” focal sector of this strategy. To a greater extent, however, and in line with the subsidiarity principle, this area will continue to be addressed at Latin American level, for example through the @lis, ALFA and Alβan and the Youth programmes. As regards research and development policy, the EU Framework Programmes encourage international cooperation with Andean countries and value the potential of the expertise and know-how available in this region, particularly its still very rich biodiversity. Under the EU’s 7<sup>th</sup> Research Framework Programme (2007-2013), international cooperation will be mainstreamed in all components, including researcher exchanges. Bi-regional dialogue will help priority setting to reflect mutual interests and coordination with Member States’ international S&T strategies is intended to increase synergistic effects. Particular emphasis will be placed on connecting research and its results to citizens and innovation. There are also plans to strengthen the bilateral cooperation programmes between EU Member States and non-EU countries. Science and Technology Promotion Platforms between the EU and Latin America are aiming to widen bilateral partnerships to a bi-regional context.

Macroeconomic convergence is in turn strongly encouraged because of all its positive effects on macroeconomic stability, regional integration and improving social indicators. Within the context of its programming at Latin American regional level, the EU is currently supporting the REDIMA II project aiming at fostering macroeconomic convergence through dialogue between policy makers, strengthening the analytical framework and improving the capacity to produce statistics and quantitative instruments.

Finally, energy and transport are two more sectors which will require increasing attention in the future. The Andean Community countries have significant potential energy resources and considerable needs in the transport sector. It is essential to intensify cooperation between the Andean countries and between the Andean Community and the EU. Intensification of the dialogue in these sectors is highly recommended. Special attention may need to be paid to interconnectivity and interoperability issues.

## **5.2. Scope of cooperation activities within the 2007-2013 regional strategy paper**

The regional financial envelope is rather limited compared with the volume of assistance available for bilateral cooperation and must be considered as supplementing the national envelopes.

Certain assumptions were made as a basis for choosing the most appropriate areas for cooperation. First of all, while the challenges are many, efforts need to concentrate on a limited number of areas. Choices have to be made and, in making them, the EU takes into account its own experience – it focuses on areas where the EU has a comparative advantage on account of its experience. Furthermore, the EU applies the principle of subsidiarity in order to programme at the right level (i.e. not programming at regional work which can be done better at a lower level, i.e. national level) and the EU strives to offer complementary regional cooperation activities, i.e. to avoid overlapping with other cooperation activities, whether under its national and regional programmes, the individual EU Member States' programmes or the programmes of other donors to the region/countries. Finally, the EU takes into account the lessons learnt from the past, and is increasing the ownership and visibility of the CAN regional programming.

## **5.3. Focal sectors for cooperation at CAN level**

In an increasingly globalised world, countries need to join forces in order to meet the challenges they face. This regional strategy considers regional integration, i.e. intense cooperation and collaboration between the countries of the Andean Community in a variety of areas, as a means to address the challenges more effectively.

In order to promote such regional integration, three focal sectors have been selected:

- Regional economic integration
- Social and economic cohesion
- The fight against illicit drugs

The choice of these sectors is deliberate. It takes account not only of the relative scale of the corresponding challenge but also the assumptions set out above (see Section 5.2.). 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).

### **5.3.1. Regional economic integration**

Both trade within the Andean Community itself, fostered by closer regional economic integration, and trade between the Andean Community countries and the rest of the world are considered indispensable for the Andean countries to take their place effectively within a globalised world.

Regional economic integration within the Andean Community remains one of the major objectives of the Cartagena Agreement, the treaty founding of what is now called the Andean Community. Many advances have been made in this respect, such as complete liberalisation of trade between the four countries (since the mid-1990s between three of the four and, since January 2006 between all four), some convergence in the MFN duties applied, a set of common rules in various areas (such as intellectual property rights), efforts to promote harmonised technical legislation, etc.

As mentioned earlier, the Guadalajara EU-CAN Summit of Heads of State and Government, organised on the fringe of the EU-LAC Summit, considered that a sufficient level of economic integration was necessary before negotiations could be launched to conclude an Association Agreement, including a free trade area, between the two regions. To this end, a joint assessment exercise on regional economic integration was undertaken in 2005/2006 by an Ad Hoc Joint Working Group created specifically for this purpose.

Cooperation activities in this area aim to concentrate on a number of weak points in the economic integration process, for example in the free movement of services and goods, capital and persons. These were identified in the course of the joint assessment exercise; the actual negotiations for an Association Agreement may also identify further activities. Close coordination with the national cooperation activities and with the IADB, which is also very active at CAN regional level in this field, should be the aim when choosing specific projects.

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.

### **5.3.2. Social and economic cohesion**

Social cohesion is one of the priority sectors identified in the strategic partnership between Latin America and the European Union. This was confirmed at the third Summit of Heads of State and Government in Guadalajara in May 2004, the final declaration of which stated: *“We prioritize social cohesion as one of the main elements of our bi-regional strategic partnership and have committed ourselves to cooperate to eradicate poverty, inequality and social exclusion”*.

As explained in Chapter 3 (analysis) and in Section 4.4. (coherence), after initially focusing almost exclusively on economic aspects the Andean integration process has over time developed its social agenda and took an important step in this direction in September 2004 with the adoption of an “Integrated Social Development Plan” (PIDS). This Plan aims to promote a comprehensive approach to social policy, to bring the national social policies and objectives closer together and to stimulate cooperation between the countries in this area. The EU considers this plan a starting point for development of a comprehensive, inclusive social and economic cohesion strategy and is committed to supporting this process, both politically (joint press release by the European Commissioner for External Relations, Ms. Ferrero Waldner and the then Secretary

General of the Andean Community, Mr. Wagner, in July 2005) and by means of tangible cooperation activities.

Among the few international donors providing assistance with a regional focus, the IADB is a leading player in this field and fruitful cooperation has been established between the IADB and the European Commission. In May 2005, for example, a seminar on social cohesion was organised jointly by the SG-CAN, the IADB and the European Commission.

As for the EC, addressing social and economic cohesion at regional CAN level will add a new focus to its cooperation activities which until now have programmed social activities more at bilateral level. In addressing this matter at regional level, attention should be paid to respecting the subsidiarity principle and concentrating only on activities that provide added value at this level compared with national level.

The major components of social cohesion are the fight against poverty, against social exclusion and against inequality. This definition allows cooperation activities to cover a wide variety of sectors including in particular the rights of indigenous peoples, employment, cultural industries<sup>6</sup>, gender and the environment. Cooperation between the countries in the social field should be enhanced along with intra-regional dialogue. If cooperation activities are to have added value at CAN regional level, they 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.

### **5.3.3. The fight against illicit drugs**

The fight against drugs in a region is the source of virtually all the cocaine consumed in the world 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.

Both regions share responsibility in this area. In 1996 this principle was enshrined in the specific context of EU-CAN relations by the Cochabamba Declaration which states that *“the co-responsibility strategy is essential in bringing about a genuine reduction in the supply of and demand for illicit drugs of both natural and synthetic origin, to control the diversion of chemical precursors, money-laundering and other related offences, and to ensure judicial cooperation and the implementation of development programmes aimed at abolishing production”*.

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

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<sup>6</sup> including audiovisual, media, music, content for the information society, publishing etc...

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.

The Andean Community started to develop a common approach to the fight against drugs in 2002 with the adoption of the first Andean strategy on the fight against drugs and related crime. In July 2005 a common strategy on alternative development was adopted at the Andean Presidential Summit in Lima.

Of the numerous cooperation activities concerned with the fight against illicit drugs in the countries of the Andean Community, financed wholly or partly by the EC, its Member States and/or other donors, only very few have a regional focus. However, the drugs problem displays many similar features throughout this region, such as the impact on the political stability of some of the countries, the focus on coca cultivation and the search for alternative livelihoods for farmers, the chemical precursors used for cocaine production and the need for common control procedures, the environmental effects of coca cultivation and cocaine production, the drug trafficking chains, etc. These common features are increasingly demanding a regional approach. Nevertheless, careful consideration needs to be given to such an approach to make sure that it encompasses only those activities that genuinely provide added value at regional level. A detailed needs assessment would have to be carried out and the EU-CAN High-Level Specialised Dialogue on Drugs could be a useful forum to discuss jointly the scope of cooperation activities.

#### **5.4. Risks associated with the strategy**

The biggest risk associated with this regional strategy is the low commitment on the part of the Andean Community countries to the regional integration process and, stemming from this, the lack of financial resources to continue this process. This can only be expected if national matters dominate the political agenda and favour short- instead of long-term objectives. A degree of indifference towards regional projects may also be due to a lack of ownership, as a result of insufficient involvement of all relevant parties in the identification and implementation of projects. As experienced in the past, this risk could lead to problems with counterpart funds, i.e. delayed payments by individual CAN countries causing delays in implementation of projects. To reduce this risk, “ownership” of the regional projects should be ensured as much as possible, payment of counterpart funds should be obligatory to a reasonable degree, but guaranteed, and ways should be explored of involving the final beneficiaries more closely in the project design. More specific risks can be determined for each focal sector.

In the case of regional economic integration, one potential risk is that the CAN member countries will not be sufficiently committed to making progress in this field, for example will continue to postpone decisions on the common external tariff or common tariff

policy or will not abide by the rules established by the Cartagena Agreement. Another risk could be that bilateral trade negotiations by individual CAN countries with third parties might have a negative impact on Andean regional integration. A further risk in this area is unequal development of the economies of the individual countries and the danger of imposing a 'one-size-fits-all' approach, taking no account of these differences. In order to avoid this, projects identified and implemented in this area should be "tailor-made".

It could be difficult to keep social cohesion on the political agenda as a top priority and, even more so, to secure acceptance of a regional approach in this area. In order to overcome such difficulties, the strategy should build upon, but not be restricted to, the Integrated Social Development Plan adopted by the Andean Community's Foreign Ministers. Initiatives shall contribute to ensuring ownership of projects and greater visibility for the Andean Community as a regional entity as well as for the EU as a donor in this field.

The risk with the fight against illicit drugs is less to do with insufficient commitment from the Andean Community countries than with the enormous complexity of the drug problem itself, and how to achieve common positions and action that are more efficient than individual national action, in a situation where three countries are affected by production and one by spill-over effects and the risk of turning into a producer itself.

## **6. REGIONAL INDICATIVE PROGRAMME (RIP)**

An indicative allocation of €50 million has been earmarked in the period 2007-2013.

### **6.1. Regional economic integration (DAC Code: 331)**

#### **6.1.1. General objective**

To enhance the degree of regional economic integration, i.e. to establish a fully functioning Andean Common Market and to facilitate EU-CAN negotiations for an Association Agreement, including a free trade agreement.

#### **6.1.2. Specific objectives**

- To enhance regional economic integration through harmonised legislation and practices or mutual recognition thereof (on goods and services, customs, investment, competition, public procurement and intellectual and industrial property rights).
- To increase intra-regional trade in goods and services and to tighten trade relations between the EU and the Andean Community.
- To promote customs and trade facilitation and acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade.
- To render the Andean Community more attractive for foreign direct investment.
- To help the Andean Community's economy integrate into the world economy.
- To strengthen the institutional capacity of the Andean Community, in particular of its General Secretariat.

### **6.1.3. Expected results**

- A better integrated market with fewer obstacles to the free movement of goods, services, capital and persons between the Andean countries and better integration of the Andean Community as a whole into the world economy.
- An increase in both intra-regional and EU-CAN trade.
- More investment in the Andean Community.
- Improved institutional capacity of the Andean Community, including sound internal regulations and improved coordination between the regional institutions and the CAN countries.

### **6.1.4. Programmes to be implemented to achieve these objectives and type of assistance to be provided**

Cooperation activities in the area of regional economic integration would:

1. assist further development of regional economic integration policy and rule-making together with implementation of rules and monitoring thereof by the CAN regional institutions and in the CAN countries; this may also include assistance in order to analyse the compatibility of the various trade agreements which the CAN countries have concluded (or are concluding) with non-CAN countries;
2. provide financial support to a programme of activities enhancing regional economic integration as well as facilitating EU-CAN trade negotiations in the context of a future EU-CAN Association Agreement; such activities (where the involvement of the private sector, in particular SME's, shall be encouraged), identified in close cooperation with the CAN General Secretariat, may be implemented at national level.

### **6.1.5. Integration of cross-cutting themes**

In developing projects in the field of regional economic integration, special attention will need to be paid to, among other things, energy, transport, employment, gender equality, indigenous peoples' rights, consumer rights, good governance and environmental sustainability. The environment impact will be assessed as necessary and an appropriate balance between economic development and environmental protection will be promoted<sup>7</sup>. Civil society will be closely involved in project design. Special attention may need to be paid to collection of statistical information and to interconnectivity/interoperability issues.

### **6.1.6. Financial envelope**

40% of the RIP will be allocated to cooperation activities in this area.

### **6.1.7. Activities under other EC budgetary instruments in the region**

Many of the CAN regional cooperation activities have been focusing on regional economic integration, not only those funded by the EC but also those financed by other donors such as the IADB. In addition, a number of trade-related cooperation activities are funded at national level by the EC and by EU Member States, or by other donors. The latter tend to be more trade-related than focused on regional economic integration

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<sup>7</sup> An EIA will be carried out for any project with potential negative impacts on the environment. In order to decide if a project requires an EIA, a special screening procedure applies.

between the Andean countries. So far no projects in this area have been funded under a specific horizontal budget line.

## **6.2. Social and economic cohesion (DAC codes: 150, 160 and 400)**

### **6.2.1. General objective**

To enhance social and economic cohesion in the Andean Community.

### **6.2.2. Specific objectives**

- To stimulate further development of a “comprehensive” Andean social policy by developing an integrated approach to social and economic cohesion, comprising poverty reduction, social inclusion, equality and employment creation.
- To encourage cross-national and cross-border field projects enhancing social and economic cohesion and territorial development, thereby stimulating cross-border and cross-national contacts and cooperation between the various Andean Community countries in this field.
- To reinforce positive synergies between social cohesion and environmental protection by integrating sustainable natural resource management into projects aimed at poverty reduction.
- To strengthen the institutional capacity of the Andean Community, in particular of its General Secretariat.

### **6.2.3 Expected results**

- Social and economic cohesion policy will move further up the regional and national agendas.
- The complementary dimension of regional and national social and economic cohesion policies will be fostered and strengthened by encouraging cross-national and cross-border field projects.
- Involvement of civil society in the Andean regional integration process and project ownership will be improved.
- Involvement of other donors at CAN regional level in the area of social and economic cohesion will increase.
- Improved institutional capacity of the Andean Community, including sound internal regulations and improved coordination between the regional institutions and the CAN countries.

### **6.2.4. Programmes to be implemented to achieve these objectives and type of assistance to be provided**

Cooperation activities in the area of economic and social cohesion at regional level would

1. assist further development of a social and economic cohesion policy at CAN level, for which the first steps were taken in September 2004 with the adoption of the Andean Integrated Social Development Plan (PIDS); this may include technical assistance to study the feasibility of mechanisms promoting social cohesion and territorial



development<sup>8</sup>; this policy should be comprehensive and sustainable and promote an integrated approach encompassing social, economic and environmental aspects; this assistance could take the form of technical assistance to the Andean institutions and/or the national administrations in charge of social and economic cohesion (policy support and institution-building);

2. provide financial support to a programme of activities enhancing social and economic cohesion (involving a minimum of two CAN countries); such financial support will take the form of co-financing cross-national projects and/or cross-border projects on themes falling within the scope of the Andean Integrated Social Development Plan (PIDS) or under a further developed social and economic cohesion strategy (and/or the future Andean Strategy on Territorial Development).

### **6.2.5. Integration of cross-cutting themes**

Due account must be taken of the following cross-cutting issues: human rights, gender equality, indigenous peoples' rights, children's rights, culture, good governance, conflict prevention/crisis management and the environment, including disaster risk reduction (through support for the environmental sub-sector of the PIDS and cross-national/border projects). The environment impact will be assessed as necessary and an appropriate balance between economic development and environmental protection will be promoted<sup>9</sup>. Civil society will be closely involved in project design. Special attention may need to be paid to collection of statistical information and to interconnectivity/interoperability issues.

### **6.2.6. Financial envelope**

40% of the RIP will be allocated to cooperation activities in this area.

### **6.2.7. Activities under other EC budgetary instruments in the region**

A significant number of cooperation activities at all levels (Latin America, CAN and national) involving a wide variety of donors - the EC, the EU Member States, the US, the IADB, etc.- aim either directly or indirectly to enhance social and economic cohesion in the region. The peace laboratories in Colombia or the alternative development projects financed by the EC in Bolivia are examples of how an integrated development approach is contributing to social and economic cohesion. Most horizontal budget lines, e.g. concerning migration, human rights and the environment, have the same objective.

## **6.3. The fight against illicit drugs (DAC code: 160)**

### **6.3.1. General objective**

To assist the Andean Community countries in their fight against illicit drugs.

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<sup>8</sup> For example, as called for in the Lima Declaration on Democracy, Development and Social Cohesion (para 16), adopted by the Andean presidents in July 2005

<sup>9</sup> Idem footnote 8

### **6.3.2. Specific objectives**

- To stimulate a comprehensive and integrated approach in the drug policies of the Andean countries, addressing law enforcement, interdiction, alternative development and prevention, treatment and reintegration
- To provide analysis and policy advice to assist national governments in their fight against illicit drugs and to stimulate complementary regional and national anti-drugs policies
- To strengthen the institutional capacity of the Andean Community, in particular of its General Secretariat.

### **6.3.3. Expected results**

More intense coordination and cooperation between the CAN member countries in the area of the fight against illicit drugs.

Improved institutional capacity of the Andean Community, including sound internal regulations and improved coordination between the regional institutions and the CAN countries.

### **6.3.4. Programmes to be implemented to achieve these objectives and type of assistance to be provided**

The exact scope of the cooperation activities will be determined on the basis of a detailed needs assessment and of discussions between the EU and the Andean Community in the context of the yearly EU-CAN High-Level Dialogue on Drugs. Cooperation activities could include technical assistance (transfer of expertise from the EU Member States and the European Commission and exchange of best practices, including through NGO's) as well as equipment, both at CAN sub-regional level and at CAN member country level.

### **6.3.5. Integration of cross-cutting themes**

Special attention will need to be paid to the following cross-cutting issues: the environment, gender equality, children, culture, conflict prevention, good governance and indigenous peoples' rights. The environment impact will be assessed as necessary and an appropriate balance between economic development and environmental protection will be promoted<sup>10</sup>. Civil society will be closely involved in project design. Special attention may need to be paid to collection of statistical information.

### **6.3.6. Financial envelope**

20% of the RIP will be allocated to cooperation activities in this area. Civil society will be closely involved in project design.

### **6.3.7. Activities under other EC budgetary instruments in the region**

A number of cooperation activities both at national level, with each of the CAN countries, at CAN level and at Latin America/Caribbean (LAC) level already address the problem of illicit drugs either directly or indirectly. One example at CAN level is the chemical precursors project currently being funded under the drugs horizontal budget

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<sup>10</sup> Idem footnote 8

line; another example at national level is the support for various alternative development projects in a number of countries in the region. Further examples within the LAC framework are initiatives on intelligence sharing and city partnerships against illicit drugs among the EU-LAC countries (involving all Andean countries) and efforts against trafficking via Western Africa (in which several Andean countries will be involved). The EC is not alone in supporting the Andean countries in their fight against illicit drugs; the EU Member States are likewise supporting cooperation activities in this area, albeit more at national level. The United States is also running considerable cooperation activities in this area.

#### 6.4. Timetable for implementation

RIP I: 65% of the overall budget






RIP II: 35% of the overall budget – to be programmed in 2010

	2007	2008	2009	2010	2007-2010 Total for RIP I	2011-2013 Total for RIP II
Regional economic integration		20%		20%	40%	
Social and economic cohesion	20%		20%		40%	
The fight against illicit drugs		10%		10%	20%	
					100%	

# ANNEXES

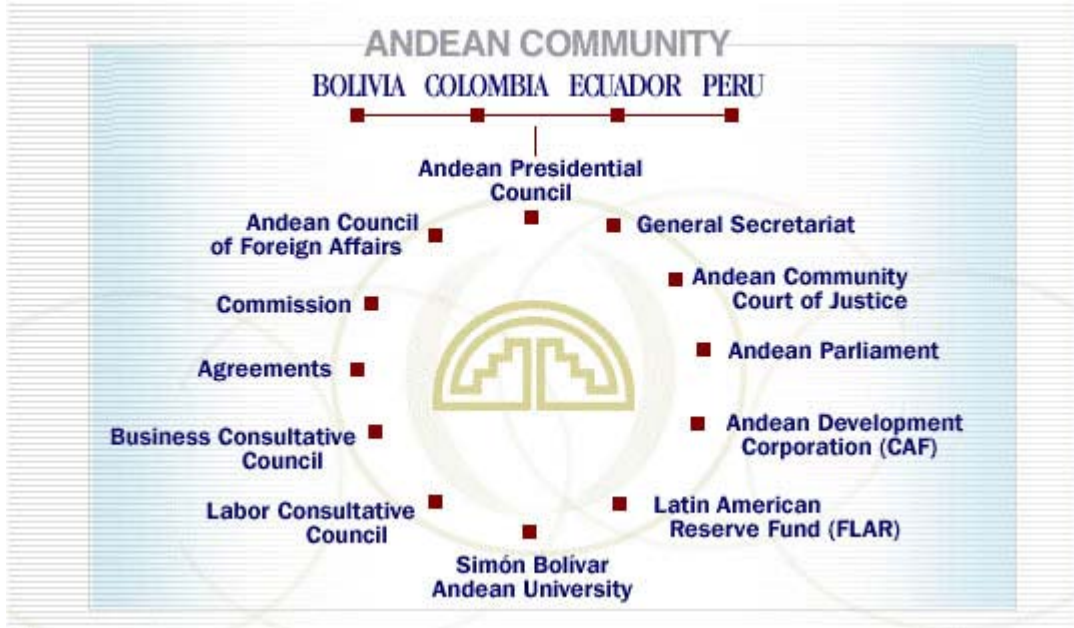
- Annex 1: The Andean Community at a glance*
- Annex 2: The Andean Integration System*
- Annex 3: Andean Community data profile*
- Annex 4: Overview EC Cooperation CAN*
- Annex 5: Regional environmental profile*

## ANNEX 1: THE ANDEAN COMMUNITY 'AT A GLANCE'

Country:	 BOLIVIA	 COLOMBIA	 ECUADOR	 PERU	 ANDEAN COMMUNITY
<b>Area:</b>	1.098.580 sq km	1.138.910 sq km	283.560 sq km	1.285.220 sq km	3.806.270 sq km
<b>Population:</b>	9.227.000	42.954.279	13.363.593	27.925.628	94.470.500
<b>Growth rate:</b>	1.5%	1.5%	1.6%	1.5%	-
<b>Infant mortality rate:</b>	53.1/1000	21.0/1000	23.7/1000	26/1000	-
<b>Life expectancy:</b>	65.5;	71.7	76.2	70	-
<b>Languages:</b>	Spanish (official), Quechua (official), Aymara (official)	Spanish	Spanish (official), Quechua, other Amerindian languages	Spanish, Quechua (both official); Aymara; many minor Amazonian languages	-
<b>Ethnicity/race:</b>	Quechua 30%, mestizo 30%, Aymara 25%, white 15%	mestizo 58%, white 20%, mulatto 14%, black 4%, mixed black-Amerindian 3%, Amerindian 1%	mestizo (mixed Amerindian and white) 65%, Amerindian 25%, Spanish 7%, black 3%	Amerindian 45%, mestizo 37%, white 15%, black, Japanese, Chinese and other 3%	-
<b>Religion:</b>	Roman Catholic 95%, Protestant (Evangelical Methodist) 5%	Roman Catholic 90%	Roman Catholic 95%	Roman Catholic 90%	-
<b>Literacy rate:</b>	87% (2003 est.)	94%	93% (2003 est.)	88%	-
<b>Natural resources:</b>	tin, natural gas, petroleum, zinc, tungsten, antimony, silver, iron, lead, gold, timber, hydropower.	petroleum, natural gas, coal, iron ore, nickel, gold, copper, emeralds, hydropower.	petroleum, fish, timber, hydropower.	copper, silver, gold, petroleum, timber, fish, iron ore, coal, phosphate, potash, hydropower, natural gas.	-
<b>Unemployment:</b>		13.6%.	11.1%, underemployment 47%.	9.6% in metropolitan Lima; widespread underemployment.	-
<b>Major trading partners:</b>	Brazil, US., EU, Argentina, Colombia, Peru, Venezuela, Chile	US., EU, Venezuela, Ecuador, Mexico, Japan, Brazil, China	US., EU, Colombia, Venezuela, Korea, Japan, Chile, Brazil	US., EU, China, Chile, Brazil, Japan, Colombia, Switzerland	US., EU, Brazil, China, Japan, Mexico

Sources: World Bank: Global Data Information System, UN Statistics Division – Common Database, Information Please® Database; Wikipedia, the free encyclopaedia, Andean Community web., (all data 2004 unless specified)

## ANNEX 2: THE ANDEAN INTEGRATION SYSTEM



### ANNEX 3: ANDEAN COMMUNITY DATA PROFILE

#### 1. Selected social indicators

##### 1.1 Indicators related to the Millennium Development Goals

	BOLIVIA		COLOMBIA		ECUADOR		PERU	
	2000	2003	2000	2003	2000	2003	2000	2003
Percentage share of income or consumption held by poorest 20%	4.0	..	2.7	..	..	..	2.9	..
Population on below \$1 a day (%)	14.4	..	8.2	..	..	..	18.1	..
Population below minimum level of dietary energy consumption (%)	..	21.0	..	13.0	..	4.0	..	13.0
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	5.3	..	2.2	..	..	..	9.1	..
Poverty headcount, national (% of population)	62.7	..	64.0	..	..	..	..	..
Prevalence of underweight in children (under five years of age)	..	..	6.7	..	..	..	7.1	..
Net primary enrolment ratio (% of relevant age group)	95.0	95.1	88.5	87.4	99.4	99.5	99.9	99.7
Primary completion rate, total (% of relevant age group)	98.0	101.0	91.0	88.0	100.0	100.0	104.0	102.0
Proportion of pupils starting grade 1 who reach grade 5	78.0	..	60.9	..	78.0	..	86.1	..
Youth literacy rate (% , ages 15-24)	97.3	..	..	97.6	96.4	..	..	96.8
Proportion of seats held by women in national parliament (%)	12.0	19.0	12.0	12.0	17.0	16.0	11.0	18.0
Ratio of girls to boys in primary and secondary education (%)	97.5	97.9	103.7	103.7	100.6	100.4	97.0	97.1
Ratio of young literate females to males (% , ages 15-24)	97.5	..	..	101.7	100.1	..	..	97.8

Share of women employed in the nonagricultural sector (%)	35.8	36.5	48.8	48.8	40.2	41.1	33.3	37.2
Immunisation, measles (% of children aged 12-23 months)	74.0	64.0	75.0	92.0	84.0	99.0	97.0	95.0
Infant mortality rate (per 1,000 live births)	59.0	53.0	20.0	18.0	27.0	24.0	32.0	26.0
Under-5 mortality rate (per 1,000)	75.0	66.0	24.0	21.0	32.0	27.0	42.0	34.0
Births attended by skilled health staff (% of total)	68.8	65.0	86.4	..	91.3	..	59.3	..
Maternal mortality ratio (modelled estimate, per 100,000 live births)	420.0	..	130.0	..	130.0	..	410.0	..
Contraceptive prevalence rate (% of women aged 15-49)	..	58.0	76.9	..	65.8	..	68.9	..
Incidence of tuberculosis (per 100,000 people)	238.8	225.3	53.5	52.3	151.1	138.4	223.0	187.6
Number of children orphaned by HIV/AIDS	..	..	..	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	0.1	0.1	0.5	0.7	0.3	0.3	0.4	0.5
Tuberculosis cases detected under DOTS (%)	72.3	71.1	83.0	7.3	5.3	36.9	87.1	81.1
Access to an improved water source (% of population)	..	85.0	..	92.0	..	86.0	..	81.0
Access to improved sanitation (% of population)	..	45.0	..	86.0	..	72.0	..	62.0
Access to secure tenure (% of population)	..	..	..	..	..	..	..	..
CO2 emissions (tonnes per capita)	1.3	..	1.4	..	2.0	..	1.1	..
Forest area (% of total land area)	48.9	..	47.8	..	38.1	..	50.9	..
GDP per unit of energy use (\$2000 PPP per kg oil equivalent)	4.0	4.8	9.3	10.0	5.0	4.8	9.8	10.7
Nationally protected areas (% of total land area)	..	13.4	..	10.2	..	18.3	..	6.1
Aid per capita (current US\$)	57.1	105.5	4.4	18.0	11.8	13.5	15.5	18.4



Debt service (% of exports)	37	40	41	69	36	39	..	..
Fixed line and mobile phone subscribers (per 1.000 people)	133.2	224.4	223.3	320.6	135.0	311.6	116.6	173.1
Internet users (per 1.000 people)	14.6	<i>32.4</i>	20.7	<i>52.5</i>	14.2	46.0	31.2	103.9
Personal computers (per 1.000 people)	17.1	22.8	35.4	<i>49.3</i>	21.7	<i>31.1</i>	40.9	<i>43.0</i>
Unemployment, youth female (% of female labor force aged 15-24)	10.4	..	40.7	..	18.1	..	13.6	..
Unemployment, youth male (% of male labor force aged 15-24)	7.0	..	31.9	..	10.5	..	13.7	..
Unemployment, youth total (% of total labor force aged 15-24)	8.5	..	36.3	..	13.5	..	13.6	<i>15.2</i>

Source: World Development Indicators database, April 2005 (figures in italics refer to periods other than those specified)

## 1.2 Others

	BOLIVIA		COLOMBIA		ECUADOR		PERU	
	2000	2003	2000	2003	2000	2003	2000	2003
<b>Human Development Index *</b>	0.672	0.687 Bolivia ranked <b>113</b> in the total of 177 countries included in the HDR	0.773	0.785 Colombia ranked <b>69</b> in the total of 177 countries included in the HDR	....	0.759 Ecuador ranked <b>82</b> in the total of 177 countries included in the HDR	....	0.762 Peru ranked <b>79</b> in the total of 177 countries included in the HDR
<b>Gender-related Development Index **</b>	-	0.679 Bolivia ranked <b>89</b> in the total of 177 countries included in the HDR	-	0.780 Colombia ranked <b>55</b> in the total of 177 countries included in the HDR	-	-	-	0.745 Peru ranked <b>67</b> in the total of 177 countries included in the HDR

Source: UN Human Development Report 2005

\* The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$).

\*\* The GDI – gender-related development index – is a composite indicator that measures the average achievement of a population along the same dimensions as the HDI while adjusting for gender inequalities in the level of achievement in the three basic aspects of human development. It uses the same variables as the HDI, disaggregated by gender.

## 2. Selected economic, finance and trade indicators

### 2.1 Economic and finance indicators

	BOLIVIA		COLOMBIA		ECUADOR		PERU	
	2003	2004	2003	2004	2003	2004	2003	2004
GNI, Atlas method (current US\$)	8.1 billion	8.7 billion	81.7 billion	90.6 billion	23.8 billion	28.8 billion	58.2 billion	65.0 billion
GNI per capita, Atlas method (current US\$)	920.0	960.0	1,830.0	2,000.0	1,830.0	2,180.0	2,140.0	2,360.0
GDP (current \$)	8.1 billion	8.8 billion	80.0 billion	97.4 billion	27.2 billion	30.3 billion	60.6 billion	68.4 billion
GDP growth (annual %)	2.8	3.6	4.0	4.0	2.7	6.6	3.8	5.1
GDP implicit price deflator (annual % growth)	6.1	8.5	8.2	7.0	9.0	4.4	2.2	5.4
Inflation rate (%)*	3,3	4,4	7,1	5,9	7,9	2,7	2,3	3,7
Value added in agriculture (% of GDP)	14.9	..	12.3	12.6	7.7	7.5	10.3	10.1
Value added in industry (% of GDP)	30.1	..	29.4	0.0	28.7	29.9	29.3	29.7
Value added in services (% of GDP)	55.1	..	58.3	87.4	63.6	62.6	60.4	60.2
Foreign direct investment, net inflows in reporting country (current US\$)	166.8 million	..	1.7 billion	..	1.6 billion	..	1.4 billion	..
Present value of debt (current US\$)	2.9 billion	..	36.3 billion	..	18.7 billion	..	33.2 billion	..
Total debt service (% of exports of goods and services)	20.9	..	43.7	..	27.9	..	21.6	..
Short-term debt outstanding (current US\$)	116.0 million	..	3.6 billion	..	1.8 billion	..	2.5 billion	..

Source: World Bank: World Development Indicators database, August 2005

\* Source: IMF, delivered by DG Trade website

## 2.2 Trade indicators

### 2.2.1 Exports within the Andean Community (2005)

Exports within the Andean Community				
(million dollars)				
	2003	2004	2005	2005/2004
<b>Andean Community</b>	<b>2 908.3</b>	<b>3 384.6</b>	<b>4 300.4</b>	<b>27.1%</b>
Bolivia	261.5	262.9	257.8	-1.9%
Colombia	1 212.2	1 614.5	1 991.7	23.4%
Ecuador	1 000.4	906.2	1 252.2	38.2%
Peru	434.2	601.1	798.8	32.9%

Source: IMF

### Table of exports within the Andean Community (2005, million dollars)

Exporting Country	Country of Destination				Andean Community	Share (%)	Total to the World
	Bolivia	Colombia	Ecuador	Peru			
Bolivia	-	143	6	108	258	6.0%	2 447
Colombia	52	-	1 207	733	1 992	46.3%	21 640
Ecuador	11	354	-	887	1 252	29.1%	11 961
Peru	155	348	295	-	799	18.6%	16 971
					4 300	100.0%	53 019

Source: IMF

### 2.2.2 Exports outside the Andean Community (2005)

Exports outside the Andean Community				
(million dollars)				
	2003	2004	2005	2005/2004
<b>Andean Community</b>	<b>26 583.9</b>	<b>35 377.1</b>	<b>48 718.8</b>	<b>37.7%</b>
Bolivia	1 415.1	1 991.3	2 189.6	10.0%
Colombia	11 861.4	15 038.4	19 648.2	30.7%
Ecuador	5 030.1	6 719.8	10 708.8	59.4%
Peru	8 277.4	11 627.7	16 172.2	39.1%

Source: IMF

## 2.3 EU – Andean Community Trade indicators

### 2.3.1 European Union, trade with Andean Community (in millions of euros)

Year	Imports	Yearly % change	Share of total EU imports	Exports	Yearly % change	Share of total EU exports	Balance	Imports+ Exports
2000	5 408		0.54%	3 703		0.43%	-1 705	9 110
2001	5 922	9.5%	0.60%	4 152	12.1%	0.47%	-1 770	10 074
2002	6 130	3.5%	0.65%	3 963	-4.6%	0.44%	-2 167	10 093
2003	6 013	-1.9%	0.64%	3 868	-2.4%	0.44%	-2 145	9 881
2004	6 811	13.3%	0.66%	3 700	-4.3%	0.38%	-3 111	10 511
2005	7 239	6.3%	0.61%	4 553	23.1%	0.43%	-2 687	11 792
4m 2005	2 363		0.66%	1 340		0.42%	-1 023	3 703
4m 2006	2 663	12.7%	0.61%	1 584	18.2%	0.44%	-1 078	4 247
Average annual growth (%)		6.01%			4.22%			5.30%

Source: Eurostat (Comext)

### 2.3.2 Andean Community, trade with European Union (in millions of euros)

Year	Imports	Yearly % change	EU Share of total imports	Exports	Yearly % change	EU Share of total exports	Balance	Imports+ Exports
2000	4 118		15.15%	4 735		16.03%	617	8 854
2001	4 778	16.0%	15.40%	5 188	9.6%	17.75%	409	9 966
2002	4 783	0.1%	15.60%	5 068	-2.3%	18.15%	285	9 852
2003	4 473	-6.5%	16.42%	4 666	-7.9%	17.89%	194	9 139
2004	4 556	1.9%	15.40%	5 130	9.9%	16.45%	574	9 686
2005	5 015	10.1%	13.71%	6 980	36.1%	16.32%	1 965	11 995
Average annual growth (%)		4.02%			8.07%			6.26%

Source: IMF

### 2.3.3 Andean Community's trade balance with main partners (2005)

The major import partners			The major export partners			The major trade partners		
Partners	Mio euros	%	Partners	Mio euros	%	Partners	Mio euros	%
<b>World</b>	<b>36 589</b>	<b>100.0%</b>	<b>World</b>	<b>42 765</b>	<b>100.0%</b>	<b>World</b>	<b>79 353</b>	<b>100.0%</b>
<b>1</b> USA	8 741	<b>23.9%</b>	<b>1</b> USA	16 033	<b>37.5%</b>	<b>1</b> USA	24 774	<b>31.2%</b>
<b>2</b> EU25	5 015	<b>13.7%</b>	<b>2</b> EU25	6 980	<b>16.3%</b>	<b>2</b> EU25	11 995	<b>15.1%</b>
<b>3</b> Brazil	2 695	<b>7.4%</b>	<b>3</b> Venezuela	2 166	<b>5.1%</b>	<b>3</b> Venezuela	4 302	<b>5.4%</b>
<b>4</b> China	2 263	<b>6.2%</b>	<b>4</b> China	1 713	<b>4.0%</b>	<b>4</b> China	3 976	<b>5.0%</b>
<b>5</b> Venezuela	2 135	<b>5.8%</b>	<b>5</b> Panama	1 454	<b>3.4%</b>	<b>5</b> Brazil	3 962	<b>5.0%</b>
<b>6</b> Colombia	1 764	<b>4.8%</b>	<b>6</b> Peru	1 396	<b>3.3%</b>	<b>6</b> Chile	2 673	<b>3.4%</b>
<b>7</b> Mexico	1 737	<b>4.7%</b>	<b>7</b> Chile	1 376	<b>3.2%</b>	<b>7</b> Mexico	2 578	<b>3.2%</b>
<b>8</b> Japan	1 497	<b>4.1%</b>	<b>8</b> Canada	1 282	<b>3.0%</b>	<b>8</b> Colombia	2 446	<b>3.1%</b>
<b>9</b> Argentina	1 442	<b>3.9%</b>	<b>9</b> Brazil	1 266	<b>3.0%</b>	<b>9</b> Ecuador	2 417	<b>3.0%</b>
<b>10</b> Chile	1 296	<b>3.5%</b>	<b>10</b> Ecuador	1 219	<b>2.9%</b>	<b>10</b> Japan	2 407	<b>3.0%</b>
<b>11</b> Ecuador	1 198	<b>3.3%</b>	<b>11</b> Japan	910	<b>2.1%</b>	<b>11</b> Peru	2 090	<b>2.6%</b>
<b>12</b> South Korea	1 008	<b>2.8%</b>	<b>12</b> Mexico	840	<b>2.0%</b>	<b>12</b> Canada	1 896	<b>2.4%</b>
<b>13</b> Peru	694	<b>1.9%</b>	<b>13</b> Switzerland	828	<b>1.9%</b>	<b>13</b> Argentina	1 686	<b>2.1%</b>
<b>14</b> Canada	614	<b>1.7%</b>	<b>14</b> Colombia	682	<b>1.6%</b>	<b>14</b> Panama	1 553	<b>2.0%</b>
<b>15</b> India	321	<b>0.9%</b>	<b>15</b> South Korea	470	<b>1.1%</b>	<b>15</b> South Korea	1 478	<b>1.9%</b>
<b>16</b> Switzerland	305	<b>0.8%</b>	<b>16</b> Dominican R.	462	<b>1.1%</b>	<b>16</b> Switzerland	1 133	<b>1.4%</b>
<b>17</b> Bolivia	301	<b>0.8%</b>	<b>17</b> Russia	411	<b>1.0%</b>	<b>17</b> Russia	554	<b>0.7%</b>
<b>18</b> Thailand	253	<b>0.7%</b>	<b>18</b> Costa Rica	248	<b>0.6%</b>	<b>18</b> Bolivia	477	<b>0.6%</b>
<b>19</b> Angola	232	<b>0.6%</b>	<b>19</b> Argentina	243	<b>0.6%</b>	<b>19</b> Dominican R.	470	<b>0.6%</b>
<b>20</b> Malaysia	186	<b>0.5%</b>	<b>20</b> Guatemala	205	<b>0.5%</b>	<b>20</b> India	414	<b>0.5%</b>

Source: IMF

### 2.3.4 European Union, Imports from Andean Community by product grouping (millions of euros)

SITC Rev. 3 Product Groups	2001	%	2003	%	2005	%	Share of total EU imports
<b>Total</b>	<b>5 922</b>		<b>6 013</b>		<b>7 239</b>	<b>100.0%</b>	<b>0.61%</b>
<b>Primary products</b>	<b>4 447</b>	<b>75.1%</b>	<b>4 371</b>	<b>72.7%</b>	<b>6 454</b>	<b>89.1%</b>	<b>1.67%</b>
of which:							
Agricultural products	2 982	<b>50.4%</b>	3 027	<b>50.3%</b>	3 846	<b>53.1%</b>	<b>4.76%</b>
Energy	920	<b>15.5%</b>	782	<b>13.0%</b>	1 300	<b>18.0%</b>	<b>0.51%</b>
<b>Manufactured products</b>	<b>629</b>	<b>10.6%</b>	<b>750</b>	<b>12.5%</b>	<b>733</b>	<b>10.1%</b>	<b>0.10%</b>
of which:							
Machinery	67	<b>1.1%</b>	87	<b>1.4%</b>	47	<b>0.6%</b>	<b>0.02%</b>
Transport equipment	4	<b>0.1%</b>	92	<b>1.5%</b>	17	<b>0.2%</b>	<b>0.02%</b>
of which:							
Automotive products	2	<b>0.0%</b>	1	<b>0.0%</b>	1	<b>0.0%</b>	<b>0.00%</b>
Chemicals	54	<b>0.9%</b>	89	<b>1.5%</b>	85	<b>1.2%</b>	<b>0.09%</b>
Textiles and clothing	162	<b>2.7%</b>	132	<b>2.2%</b>	150	<b>2.1%</b>	<b>0.21%</b>

Source: Eurostat (Comext)

### 2.3.5 European Union, Exports to Andean Community by product grouping (millions of euros)

SITC Rev. 3 Product Groups	2001	%	2003	%	2005	%	Share of total EU exports
<b>Total</b>	<b>4 152</b>		<b>3 868</b>		<b>4 553</b>		<b>0.43%</b>
<b>Primary products</b>	<b>343</b>	<b>8.3%</b>	<b>290</b>	<b>7.5%</b>	<b>331</b>	<b>7.3%</b>	<b>0.26%</b>
of which:							
Agricultural products	259	<b>6.2%</b>	244	<b>6.3%</b>	254	<b>5.6%</b>	<b>0.41%</b>
Energy	34	<b>0.8%</b>	9	<b>0.2%</b>	12	<b>0.3%</b>	<b>0.03%</b>
<b>Manufactured products</b>	<b>3 665</b>	<b>88.3%</b>	<b>3 439</b>	<b>88.9%</b>	<b>3 841</b>	<b>84.4%</b>	<b>0.44%</b>
of which:							
Machinery	1 328	<b>32.0%</b>	1 215	<b>31.4%</b>	1 753	<b>38.5%</b>	<b>0.57%</b>
Transport equipment	378	<b>9.1%</b>	504	<b>13.0%</b>	327	<b>7.2%</b>	<b>0.20%</b>
of which:							
Automotive products	266	<b>6.4%</b>	162	<b>4.2%</b>	217	<b>4.8%</b>	<b>0.20%</b>
Chemicals	962	<b>23.2%</b>	844	<b>21.8%</b>	908	<b>19.9%</b>	<b>0.56%</b>
Textiles and clothing	112	<b>2.7%</b>	80	<b>2.1%</b>	74	<b>1.6%</b>	<b>0.22%</b>

Source: Eurostat (Comext)

**ANNEX 4**  
**OVERVIEW COOPERATION CAN**

**EC Cooperation**

	<b><u>EC Cooperation</u></b> <b><u>2000-2002</u></b>	<b><u>EC Cooperation</u></b> <b><u>2002-2006</u></b>	<b><u>Horizontal</u></b> <b><u>budget lines</u></b> <b><u>2000-2006</u></b>
<i>Customs (Granadua)</i>	€1.9 million*		
<i>Quality infrastructure (Calidad)</i>	€2.3 million*		
<i>Competition (Competencia)</i>	€2 million*		
<i>Disaster prevention (PREDECAN)</i>		€ 9.45 million*	
<i>Statistics (ESTADISTICAS)</i>		€ 5 million*	
<i>Trade-related technical assistance I (TRTA I)</i>		€ 4 million*	
<i>Trade-related technical assistance II, Part 1 (TRTA II, part 1)</i>		€ 950.000*	
<i>Trade-related technical assistance II, Part 2 (TRTA II, part 2)</i>		€ 3.05 million*	
<i>Civil society (SOCIEDAD CIVIL)</i>		€ 4.1 million*	
<i>Synthetic drugs (DROGAS SINTETICAS)</i>		€2.55 million*	
<i>Drugs budget line (PRECAN)</i>			€1.6 million
<i>Human Rights and Democracy budget line</i>			€11.4 million
<i>Human Rights and Democracy budget line</i>			€1 million
<i>Humanitarian Aid budget line (DIPECHO 3)</i>			€4 million
<i>Humanitarian Aid budget line (DIPECHO 4)</i>			€4,5 million
<i>Actions relating to Anti-personnel Landmines budget line</i>			€1 million

\* : EC contribution



**ANNEX 5**  
**REGIONAL ENVIRONMENTAL PROFILE<sup>11</sup>**

1. **Geography and climate**
2. **Management of natural resources**
3. **Quality of natural resources**
4. **Environmental policy: legislative and institutional framework**
5. **Environmental cooperation**
6. **Recommendations**

**1. Geography and climate**

The Andean mountain range is the most important geographical feature and ecosystem which the Member States of the Andean Community have in common (hence the name of the Community). The Amazon basin, although usually associated with Brazil, is the second most noteworthy common feature of the geography of these countries; almost half of its surface area falls within the Andean countries which contain the upper watersheds of the River Amazon. Apart from these common features, however, there is enormous geographical and climatic diversity within this large area.

**Bolivia** is the southernmost of the five Andean countries, with a surface area of 1 098 581 km<sup>2</sup>. Situated between the 9° and 23° South parallels, it belongs to the tropical zone. However, the presence of the Andean cordillera makes for great variations in climate and eco-systems. Temperatures and rainfall increase gradually from west to east, in line with the topography. Humidity rises from south to north, both in the mountains and on the eastern plains. The rainy season varies greatly in length: it is up to 11 months long in Chapare and less than one month in the southern part of the high plateau ('altiplano'). The country is usually seen as divided into two large areas: the Andean highlands (414 574 km<sup>2</sup>) and the eastern lowlands (684 007 km<sup>2</sup>). These can be further subdivided into six natural regions:

- *High mountains* (altitudes above 4 400 m);
- *The Puna region* (mountain plateau – 'puna'; 3 400 – 4 400 m);
- *The Yungas region* (eastern mountain slopes with forests, 1 500 – 3 400 m);
- *Inter-Andean ranges and valleys* (1 800 – 2 800 m);
- *Sub-Andean belt* (humid and semi-humid Andean forest);
- *The Beni and Pando plains* (north-northwest – below 500 m);
- *The south-eastern plains* (semi-humid and semi-arid, including Chaco).

**Peru** is the largest of the Andean countries (1 285 000 km<sup>2</sup>). Its topography is dominated by the Andean cordillera, which crosses the country from north to south, creating three main geographical features: the Pacific coast, the mountains and the Amazon forest. Hydrographically, the country has three main systems: the Pacific, the Amazon and Lake Titicaca.

- *The Pacific coast* is mostly a rather narrow strip of land between the mountains and the sea and has an arid and semi-arid climate, with hot days and cold nights. This area

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<sup>11</sup> This Annex is based on a study financed by the European Commission and presented by ORGUT Consulting AB, which for the pre-programming exercise carried out a desk and field analysis to assess the state of the environment in the Andean Community countries – their report dates from February 2005 and can be consulted on the Europa website (Andean Community pages). The study does not necessarily reflect the opinion of the European Commission.

- occupies about 10% of the total surface area and contains most of the country's population and industry.
- *The mountains* reach altitudes well over 6 000 metres above sea level. In the southeast, Peru shares the same high plateau as Bolivia. The mountain region occupies about 30% of the total surface area. The climate varies enormously from the very cold mountain tops to hot valleys and from sub-humid to semi-arid conditions. The rainfall ranges from 500 to 1000 mm/year.
  - *The Amazon forest* covers about 60 % of the surface area and consists mainly of dense natural forest. The climate is sub-tropical humid to tropical humid with rainfall ranging from 1 500 to 7 000 mm/year.

**Ecuador**, with a surface area of 285 000 km<sup>2</sup>, is much smaller than any of the other Andean countries, but nevertheless contains great geographic and ecological diversity. Its topography is, in general terms, very similar to that of Peru: Andean cordillera, coastal area and Amazon forest. To this, however, must be added a unique island region (the Galápagos islands).

**Colombia** has a surface area of 1 141 748 km<sup>2</sup> (very similar to Bolivia). It is also marked by the Andes, which are split here into three ranges, separated by the rivers Magdalena and Cauca. There are four main watersheds: the Pacific, the Caribbean, the Orinoco basin and the Amazon basin. The country can be seen as divided into six natural regions: the Caribbean; the Pacific; the Andean region; the Amazon; the Orinoco region and the islands (Margarita Island and others).

## 2. Management of natural resources

### Water

The **Andean region** as a whole is, at present, comparatively well endowed in terms of water supply. However, the water is very unevenly distributed and as demographic pressure increases and economic activities grow, competition for resources may arise, both between different user groups and countries and between consumers in upstream and downstream stretches of river basins. These two aspects coincide in many cases, since there are many bi-national basins. For instance, many rivers start in Ecuador and then flow into Peru and Colombia. And, of course, even more rivers start in all the Andean countries and end in Brazil (the River Amazon).

For the time being, the issue of water quality seems to be of more immediate concern in these countries than the matter of quantity.

### Soils and agriculture

Soil erosion is one of the most serious environmental problems in all the Andean countries. It increases the risk of natural disasters and dramatically reduces the prospects for agriculture which is still an important sector in the region. The table below gives a comparative overview of the situation.

<b>HUMAN-INDUCED LAND DEGRADATION</b>							
<b>Country</b>	<b>None %</b>	<b>Light %</b>	<b>Moderate %</b>	<b>Severe %</b>	<b>Very severe %</b>	<b>Cause</b>	<b>Type</b>
Bolivia	51	11	9	23	6	O, D	W, N, C
Peru	20	26	21	32	1	D, O	W, C
Ecuador	5	66	23	2	4	D	W, C
Colombia	10	53	19	18	0	D, O	W, C
D = deforestation O = overgrazing				C = chemical deterioration N = wind erosion W = water erosion			

Source: REP, ORGUT, Feb. 2005

Some interesting similarities and differences between the countries can be noted from this table. In all of them, deforestation is one of two main causes of erosion. The other is overgrazing in some of the countries. Half of Bolivia is still unaffected by land degradation, while Ecuador has next to no problem of this kind.

#### Soils and illicit cultivations

The problem of coca cultivation in Bolivia, Peru and Colombia is another well-known Andean issue. Coca growing (and more recently opium poppy growing in Colombia) is usually thought of as a problem related only to illegal drug production, traffic and consumption, combined with crime, guerrillas and social and public health problems. There seems to be much less awareness of the effect which cultivation of this crop has on the environment.

The main environmental effect of coca and poppy growing in **Colombia** is deforestation (see the table below) with consequent damage to water, soil and biodiversity.

<b>COLOMBIA. DEFORESTATION CAUSED BY COCA AND OPIUM POPPY CULTIVATION</b>			
<b>Year</b>	<b>Ha deforested for coca (cumulative)</b>	<b>Ha deforested for poppy (cumulative)</b>	<b>Ha deforested for marijuana</b>
1993	179.110	57.500	64.446
1994	214.947	76.906	8.910
1995	265.473	98.217	8.895
1996	325.649	122.294	7.479
1997	430.732	150.039	7.500
1998	537.777	181.601	7.500
1999	661.568	218.328	7.500
2000	800.478	260.422	3.000
Source: REP, ORGUT, Feb. 2005			

Preparation of land for illicit cultivation involves burning and carbonising biomass, which adds to greenhouse gas emissions and river sedimentation. The cultivation process requires pesticides and fertilisers and an estimated 200000 gallons of herbicides and 16 000 tonnes of chemical fertilisers

are used every year, ending up in the soil and water. Processing of coca into cocaine needs acetone, hydrochloric acid, ethylic ether and potassium permanganate, which also have a negative effect on ecosystems. It has been calculated that some 750 000 tonnes of all these chemicals have been deposited in the Colombian tropical forest over the last 14 years. Fumigation to destroy coca crops further compounds the damage.

There are similar problems in **Peru** and **Bolivia**. In these cases, soil erosion caused by coca growing appears proportionately even more serious, since much of the cultivation here is on fairly steep slopes, which is less common in Colombia.

### Forest

The latest official data on forest and deforestation in the Andean countries are shown in the table below. They have to be taken with some caution, because they are already five years old and the situation in some areas is changing very rapidly. In the case of Ecuador, for instance, the table suggests an annual deforestation rate of 1.2%, while some local sources are now talking of up to 2%.

<b>DEFORESTATION IN THE ANDEAN COUNTRIES</b>						
<b>Country</b>	<b>Land area</b>	<b>Forest area, 2000</b>			<b>Forest cover change 1990-2000</b>	
		<b>Total forest (000 ha)</b>	<b>% of land area</b>	<b>Forest plantations (000 ha)</b>	<b>Annual change (000 ha)</b>	<b>Annual rate of change %</b>
Bolivia	108 438	53 068	48.9	46	- 161	- 0.3
Peru	128 000	65 215	50.9	640	- 269	- 0.4
Ecuador	27 684	10 557	38.1	167	- 137	- 1.2
Colombia	103 871	49 601	47.8	141	- 190	- 0.4
<b>Total for region</b>	<b>367 993</b>	<b>178 441</b>	<b>46.425</b>	<b>994</b>	<b>757</b>	<b>-0.575</b>

Source: REP, ORGUT, Feb. 2005

Even though these data might not be completely accurate, it is still quiet clear that all the Andean countries are suffering from serious deforestation. The worst case is Ecuador; it has the lowest proportion of forest land for quite some time and the highest annual rate of deforestation (more than three times that of the other countries). Bolivia can be considered the best case, for the opposite reasons. Total forest plantations in the Andean region cover an area equivalent to only two years' loss of natural forest; but it must be added that most of the deforestation is hitting tropical forests while plantations (e.g. pine and eucalyptus) are industrial and do not have the same environmental value.

The causes of deforestation are, in general terms, the same in all the Andean countries, but the legislation and protection, management and use of the forest resources are quite different from one country to another.

### Biodiversity

All the countries of the Andean Community are among the 10 countries in the world with the greatest biodiversity (mega-biodiversity).

In **Bolivia**, 254 plant species are at risk according to the National Biodiversity Strategy. The IUCN Red List (2002) contains 70 plant species. **Peru** has 110 endemic bird species and more than 5 000 endemic plant species. **Ecuador** is third on the world list of countries with the most species of amphibians and also third with regard to birds. **Colombia** has two of the world's most important environmental "hot spots": the tropical Andes and the bio-geographical Chocó. It has the largest number of bird species of any country in the world – 1 721. At present, 112 of them are endangered. More than 1000 native plant species and 24 bird and mammal species are on the verge of extinction.

The causes behind the loss of biodiversity are, in principle, the same in all these countries. The inroads made by agriculture, felling of forests and contamination by oil, mining and other economic activities are destroying and reducing habitats. Fishing, hunting and illegal trade in all kinds of biodiversity must be added to these.

Another common trait among the Andean countries is the existence of numerous and large protected areas. In **Bolivia** there are a total of 40 legally protected areas – but mostly without management. The National System of Protected Areas consists of 20 important areas, covering a total of 176 000 km<sup>2</sup>, which is equivalent to 16% of the entire country. Most of these areas are inhabited by indigenous and peasant communities (a total of 70 000 inhabitants). **Peru** has a complex system of protected areas formed by 10 national parks, 9 national reserves, 6 national sanctuaries, 4 historical sanctuaries, 6 protected forests, 3 communal reserves, 2 hunting reserves, 1 landscape reserve and 13 reserved zones. These comprise the national system of natural areas protected by the state (SINANPE). **Ecuador** has 27 protected areas, covering 19,5% of the country. The situation is similar in **Colombia**.

Unfortunately, a very large proportion of the protected areas in the Andean countries are protected only in theory but not in practice. The widespread poverty in these countries forces people to harness protected resources and the lack of general environmental education and awareness does not help to avoid this. The paucity of government institutions, which lack strength and coordination leads to an absence of effective control and law enforcement. There is a lack of qualified human resources to carry out programmes and projects, of political will to allocate financial resources, decentralise power and open the way for community participation and of general awareness of the environment and sustainable development in both the public and private sector. It should also be pointed out that many protected areas are inhabited or surrounded by indigenous peoples. The general social exclusion of these populations is another factor that contributes to the vulnerability of such areas.

However, there is increasing concern about biodiversity (and the environment in general) in the Andean countries. All of them, individually, have a biodiversity strategy and so does the Andean Community.

### Coasts and seas

All the Andean countries, except Bolivia, have very long stretches of coast: Peru and Ecuador on the Pacific and Colombia on the Pacific and the Caribbean. The diversity of situations and problems makes it impossible to take any truly regional approach to the subject.

**Peru** has the second longest coastline in the CAN (3 080 km) and 790 000 km<sup>2</sup> of territorial waters. Within these, Peru has the most productive marine environment in the world, due to the Humboldt current. One of the main threats to the coastal areas is the concentration of population

here). At present, 57% of the total population is located within an area of up to a 100 km inland from the coastline, producing a considerable amount of domestic, municipal and industrial contamination. Peru discharges about 435 million m<sup>3</sup> of domestic waste annually along the coast, of which 128 200 tonnes are organic. Peru is also the second largest producer of fishmeal, and the fish industry has contributed heavily to the coastal pollution and to depletion of the species used, due to unsustainable fishing practices. Mariculture is becoming an important activity along the northern part of the coast and has potential for further development. However, some problems have affected both production (viral disease) and the environment (environmental impact in mangrove areas). The total area occupied by mariculture is about 4 000 to 5000 ha.

The Galápagos Archipelago in the Pacific, which belongs to **Ecuador** can be considered the most noteworthy and important component of the coastal and sea areas in the Andean countries, in view of its unique ecosystems, biodiversity, endemic species, tourist value, etc. It is probably one of the best-known nature reserves in the world. Galápagos is a UNESCO World Natural Heritage Site. 97% of the surface area of the islands is as a national park (established in 1959), and 133.000 km<sup>2</sup> of the surrounding sea has been declared a marine reserve (1986). The Ecuadorean Constitution recognises the need to restrict free settlement, residence, property rights and trade in the islands for conservation purposes. The corresponding Law on the Special Regime for the Conservation and Sustainable Development of the Galápagos Province was promulgated in 1998. To date, however, this law seems to have had no practical effect on development in the Galápagos.

In **Colombia** there are two very different coastal areas with totally different situations and problems. The Pacific coast forms the Chocó region, which contains one of the last pristine stretches of coast in tropical America. However, it has been coming under increased pressure for a decade or two. The Government, with international cooperation, has drawn up ambitious development plans for the region and private operators are also interfering more and more. Oil palm plantations are spreading both here and on the Ecuadorean side of the border. Deforestation and loss of biodiversity are two of the main consequences. The Caribbean coast of Colombia (and of Venezuela) is part of the Caribbean region where sedimentation and pollution are the biggest problems: the sediment load in coastal waters totals more than 10 million tonnes per year; excessive use of fertiliser boosts algal population growth and eutrophication in coastal lagoons; between 80 and 90% of waste waters are discharged without treatment.

### 3. Quality of the environment

#### Air pollution

Air pollution is a serious problem in many of the large and medium-sized cities in the Andean countries.

In the case of **Bolivia**, very little precise information is available on air pollution, since there is no institution to carry out any monitoring. The impression, however, is that the level of air pollution in the big cities is still low in comparison with that in other countries on the continent, one reason being the stable wind patterns which blow away the contamination. However, industry produces some pollution; oil refineries and mineral processing plants emit arsenic, antimony and sulphurous anhydride, and mining operations produce aluminium and silicon dust. The widespread Bolivian habit of clearing land by burning has taken on such proportions that it has even become an air pollution problem.

The air quality in many **Peruvian** cities is far below standard due to the concentration of industries and, even more so, to the high concentration of vehicles in limited areas in combination with fuels of very low quality. Lima, with 8 million inhabitants, had 67% of the total number of vehicles in the country in 1999. Peruvian gasoline has an enormous sulphur content – much higher than in any other Latin American country – and is not lead-free.

The general air quality situation in **Ecuador** is similar to that in Peru, but considerably less dramatic. The concentration of people, industries and vehicles is less pronounced, gasoline is of much better quality (lower sulphur content, and lead-free gasoline is available) and considerable work has been done on monitoring and controlling air pollution in the biggest cities.

Air quality in the main urban centres in **Colombia** has deteriorated due to human activities, reaching levels that are unacceptable under both national and international legislation and standards. Over the last few years, however, environmental authorities have been able to gain some control of the sources of pollution.

### Water contamination

Throughout the entire Andean region, there is an enormous need to install water and sewage treatment plants. The only way to come to grips with this problem is to devise systems that ultimately charge the costs of installation, operation and maintenance to the consumers of water and producers of sewage (industries or households).

**Bolivia** comes 16th out of 180 countries with regard to availability of water resources. As regards water quality, however, it comes 67th out of 122; the urban population in general does not have good drinking water and the majority of the rural population consume unsafe water. Many of the rivers and lakes and also the groundwater close to the main cities are seriously contaminated by waste water, especially from industries. One of the principal sources of pollution in the country is the mining industry, which discharges acids and metallic and non-metallic ions. Copper, zinc, cadmium, chrome, lead, arsenic and mercury are among the most dangerous heavy metals.

Water pollution is also a serious problem in **Ecuador**, in both urban and rural areas. The country is particularly weak in treatment of urban waste water, from both industries and households. For instance, the small river that runs through the capital Quito has been biologically dead for decades. In purely rural areas, the most common situation is that waste water is discharged directly into streams without any treatment at all.

Water is one of the most polluted and degraded resources in **Peru** and all sectors contribute: households, industry, mining and agriculture. The principal contaminants are general sewage, petrol, toxic substances, minerals, chemical compounds and agrochemicals. Mining and fishing are the most worrying sectors from the point of view of water quality. Only 14% of all sewage in the country is treated properly. In addition, a considerable proportion of the solid waste is dumped directly into rivers, lakes and the sea. Regarding access to drinking water and sanitation in Peru, the figures available show that 88% of the urban and 34% of the rural population have access to clean drinking water, while the figures for sanitation are 89% for the urban and 31% for the rural population. The high concentration of people in mega-cities, but also in smaller cities, has resulted in difficulties in both the supply of clean drinking water and sanitation. This is mainly due to the lack of proper urban development planning and the pressing need to accommodate migrants from the inland parts of the country.

The situation in **Colombia** is similar to that in the other countries.

### Solid waste management

Despite poverty and lower consumption levels than in industrialised countries, the Andean countries produce considerable amounts of solid waste: Peru some 5 million tonnes per year and Colombia 9 million tonnes a year. The extent and quality of the management of solid wastes are factors that vary considerably from one country to another, but much more so between big and small cities and rural areas in each of the countries.

Moves to reduce waste have been taken in big cities in Colombia, where there are large-scale recycling programmes on industrial premises. Capital cities and some other big cities have fairly good refuse collection and transfer systems. As regards final disposal, methods such as composting and incineration are seldom or never applied and wastes that are not recycled end up in open-air dumps and landfills. There are landfills in all the Andean capital cities, but that is all there is in the cases of Bolivia, Ecuador and Peru. Other cities in these countries have only open-air dumps, which pose significant health risks. Rural waste management in the Andean countries is extremely precarious, not to say non-existent. At best, in communities with certain concentrations of people, there are designated open-air dumps but hardly any organised refuse collection.

Efforts at public education have so far been limited and infrequent. Recently, however, Colombia has reported some good results following the introduction of environmental awareness education for schoolchildren (also covering the topic of waste management) and similar initiatives are being taken in Peru and Ecuador. As regards financing solid waste management, some cities in Bolivia, Colombia and Ecuador charge fees by adding percentages to utility bills (usually electricity bills). A number of studies have found that this system is highly efficient and, moreover, fair, because there is a relatively high correlation between the volume of waste generated and electricity (or water) consumption.

### Climate change

The effects of climate change are now very visible in the Andes, particularly in the form of the melting of glaciers and noticeable changes in the traditional patterns of rainy and dry seasons. From Bolivia, Peru and Ecuador there are firm data on the retreat of glaciers. Ecuador's Antisana glacier, for instance, shrank from 21.2 km<sup>2</sup> in 1976 to 14.6 km<sup>2</sup> in 1997. One of the biggest glaciers in Bolivia, Chacaltaña, is expected to disappear completely in 10 years' time. This phenomenon is very disturbing, not only from an aesthetic point of view but also because glaciers are important water reservoirs. Many irrigation systems are ultimately fed by glaciers which help to tide agriculture over the dry seasons.

In Bolivia desertification is progressing, from south to north, in the Lake Titicaca basin. Average annual rainfall is on the decrease. Increased solar radiation, through the depleted ozone layer, has become a real problem for inhabitants in La Paz.

The Andean countries themselves are not large producers of greenhouse gas emissions, nor have they entered into any commitment to reduce such emissions. Nevertheless, they have taken various kinds of action on this matter.



#### **4. Environmental policy: legislative and institutional framework**

Over the last few decades, the Andean countries, as well as the Andean Community as a regional entity, have made considerable progress on signing international conventions on environmental issues, on designing plans and strategies and on adopting laws and establishing institutions for environmental management and protection. However, environmental issues still rank relatively low on the regional and national political agendas when it comes to practical action. One common weakness is the limited allocation of budget resources to the Ministries of the Environment and equivalent institutions.

The first joint effort by the Andean Community countries in the area of the environment was the drafting and approval, in 2001, of the “Guidelines for environmental management and sustainable development in the Andean Community”.

In 2001 the CAN also drew up the Regional Biodiversity Strategy, approved by the Andean Council of Foreign Ministers in July 2002. At present, the Andean Committee of Environmental Authorities (CAAM) is in charge of preparing the corresponding Action Plan and project portfolio. The strategy includes a proposal to set up a Biodiversity Institute in Ecuador, which is to be in charge of planning and coordinating research between different institutions at national level. The office of the Andean Parliament in Quito is currently working on this. This undertaking depends on some degree of success in mobilising support from the international community.

In 2003 the Ministers of the Environment (and equivalents) approved the Andean Plan for Follow-up of the Johannesburg Summit on Sustainable Development. This plan defines specific action to be taken by 2005 on three priority themes: climate change; biodiversity; and water and sanitation.

In September 2004 the CAN signed a memorandum of understanding with the Amazon Cooperation Treaty Organisation (OTCA).

The Andean Community, the Andean Development Corporation (Corporación Andina de Fomento - CAF) and UNCTAD have jointly designed an Andean Bio-trade Programme with the aim of promoting investment and trade in products and services derived from biodiversity in accordance with sustainability criteria. All the Andean countries have their own national bio-trade programmes.

In September 2004 the Andean Council of Foreign Ministers approved an “Integrated Plan for Social Development” (PIDS), which includes the environment and sustainable development as one component. It contains one project profile for “Economic Assessment and Sustainable Use of Biodiversity” and another entitled “Programme for Sustainable Management of Water Resources”. One of the purposes of the Plan is to mobilise international support.

#### **5. Environmental cooperation**

As in other fields, sub-regional cooperation with the Andean Community in the field of environmental protection is not very developed. Apart from some isolated cooperation programmes such as the support from the UNEP in 2003 for drafting a report on the state of the environment and prospects for the future in the member states (GEOANDINO 2003) and support from the IADB and GTZ for development of a regional biodiversity strategy, very few

international donors have designated protection of the environment as a priority area for cooperation at sub-regional level. This is not surprising given that, generally speaking, very few international donors are cooperating with the Andean Community as a sub-regional entity and those that do so are concentrating mainly on economic cooperation.

## **6. Recommendations**

### **RECOMMENDATION I. SUPPORT THE ESTABLISHMENT OF A REGIONAL FORUM AND NETWORK FOR SUSTAINABLE DEVELOPMENT**

The forum and the network should be made up of the public institutions, private organisations and individuals who deal with the environment and sustainable development and who represent the “environmental conscience” of the CAN countries. The main tasks of the forum and the network would be:

- Promotion of research on sustainable development;
- Dissemination and exchange of information;
- Lobbying at political levels;
- Providing technical support to private and public institutions on sustainable development matters;
- Support for the design of educational curricula on sustainable development;
- Development and implementation of public awareness campaigns on sustainable development and environmental management.

### **RECOMMENDATION II. IN CONNECTION WITH RECOMMENDATION I, SUPPORT DEMONSTRATION PROJECTS ON LOCAL OR RURAL DEVELOPMENT**

These projects should include the concept of productive conservation and, in general, put the emphasis on increased income for the population.

### **RECOMMENDATION III. SUPPORT EDUCATIONAL AUTHORITIES WITH THE DEVELOPMENT OF EDUCATIONAL CURRICULA CONTAINING SUSTAINABLE DEVELOPMENT COMPONENTS**

The aim is to advocate and support changes in educational curricula to include modern concepts of sustainable development and environmental concerns at all levels, from primary school to university. The possibility of using national parks and nature reserves as an educational aid could be explored. The local environment should be used as a learning laboratory.

### **RECOMMENDATION IV. SUPPORT DECENTRALISATION AND PARTICIPATIVE DEMOCRACY BY STRENGTHENING INSTITUTIONS AT REGIONAL AND LOCAL LEVELS**

Decentralisation plans and processes are under way in all the Andean countries, but they are mostly moving slowly and sometimes rather erratically. The operational aspects of environmental management should be handled at regional and local levels. There is a clear will in many provincial and municipal governments, and even at lower levels, to assume responsibilities for the environment even though the necessary technical capacity is not always in place. Support is needed for strengthening institutions at all levels, especially provincial and municipal, to the extent that increased capacity is necessary for an orderly transfer of environmental

responsibilities. The entire process of defining responsibilities and functions to be decentralised also needs technical assistance in many cases.

RECOMMENDATION V. SUPPORT THE ESTABLISHMENT OF PROCEDURES TO DEVELOP MORE USEFUL LAWS, REGULATIONS AND ENVIRONMENTAL STANDARDS

Assistance should be given to the General Secretariat of the Andean Community with establishment of better models and procedures for drafting and sharing environmental laws, regulations and similar instruments (a sort of environmental law “help-desk”).

RECOMMENDATION VI. SUPPORT EDUCATIONAL AND AWARENESS CAMPAIGNS ON ENVIRONMENTAL MATTERS FOR ADULTS AND THE GENERAL PUBLIC

This is an important extension of the formal education mentioned in recommendation III. At present environmental authorities in the Andean countries allocate very few resources and little effort to this kind of activity, the main reason being lack of funding. This recommendation is relevant not only to the poor segments of the population but also to the needs mentioned in connection with awareness and governance.

RECOMMENDATION VII. INTEGRATE PROJECTS ON POVERTY REDUCTION WITH PROJECTS ON SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES

For quite some time poverty reduction programmes and projects have been an important component of international cooperation, as have environmental conservation projects. There are already examples of integration of these two areas but a more conscious effort should be made in this direction.

RECOMMENDATION VIII. SUPPORT RIVER BASIN MANAGEMENT PROGRAMMES

The aim is to work with river basins as areas of operation. A large number of the Andean river (and lake) basins are bi-national. Some major initiatives have already been launched on bi-national basin management (e.g. the Lake Titicaca Bi-national Authority and the Ecuadorean-Peruvian Catamayo-Chira project). In addition to their direct environmental and economic effect, these projects should be important for strengthening regional integration in general. Many river basins require working with one Andean country and one or more “non-Andean” countries (e.g. Brazil).

RECOMMENDATION IX. SUPPORT INVOLVEMENT OF LOCAL POPULATIONS AND APPLICATION OF A PRODUCTIVE CONSERVATION APPROACH IN PROTECTED AREAS

Many “protected” areas in the Andean countries which in reality are unprotected due to lack of resources would be in a better position if local populations were to become involved as active supervisors and, at the same time, users of certain resources in such areas. Combined with application of their traditional knowledge of herbal medicines, use of non-wood products, etc., this approach could be very important both for conservation of biodiversity and for bio-trade and eco-tourism.

RECOMMENDATION X.

SUPPORT ESTABLISHMENT OF MULTI-PURPOSE ENVIRONMENTAL  
INFORMATION SYSTEM(S)

The existing databases and information systems are insufficient and uncoordinated, which makes it difficult to identify problems and priorities and to analyse risks and prevent disasters. Introduction of a comprehensive Geographical Information System would be a great help in resource management and a valuable tool for generating and providing information to the public. Such a system could preferably be set up at Andean Community level rather than on a country-by-country basis.