

ANNEX

**Mid-Term Review and
Regional Indicative Programme for 2011-2013**

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PART I: EXECUTIVE SUMMARY

Mercosur was created in 1991 with the signature of the Treaty of Asunción between Argentina, Brazil, Paraguay and Uruguay. *'Mercosur Político'* is more than ever at the heart of the Mercosur integration process, whereas the trade and economic chapter drove integration in the early years. Integration is continuing at its own pace, and on many fronts, including the recent establishment of new institutions. However, considerable differences persist between Mercosur countries, in terms of size, population, infrastructure and economic development.

By deepening relations between the countries in the region, Mercosur is contributing to regional stability beyond its membership. Mercosur members, together with Bolivia and Chile, established a 'mechanism for political consultation and decision' on issues of regional interest.

The accession of the Bolivarian Republic of Venezuela has proved a protracted process. At the time of writing, the only step missing was approval by the Paraguayan Congress.

The analytical sections of this Mid-Term Review (MTR) draw largely on the MTRs of each Mercosur Member country in order to ensure consistency between the regional paper and each of the individual country papers. This analysis builds on those documents with the aim of harnessing the added value and seizing the opportunities offered by working at regional level.

On May 17, during the 4th EU-Mercosur Summit of Madrid, Leaders of the EU and Mercosur decided to relaunch negotiations in view of reaching an ambitious and balanced Association Agreement (AA).

The global financial and economic crisis had an impact on Mercosur in the second half of 2008 and first half of 2009. All Mercosur countries were affected by a drop in exports, diminishing foreign investment and lower remittances which resulted in a two-quarter recession. Recovery set in quickly and, on average, Mercosur countries weathered the crisis better than many others.

The EU is Mercosur's leading export market and its second source of imports. The EU is also the major investor in the region. At bi-regional level, both imports and exports rose in 2008 but declined in 2009. The EU maintains an overall trade deficit, mainly due to agricultural imports.

Mercosur countries have achieved impressive results on human development in the recent past. Between 2003 and 2008, all absolute values for each individual component of the UNDP's Human Development Index (HDI) improved in each of the four countries and they all made absolute progress towards achieving the Millennium Development Goals (MDGs). However, they have fallen in the world ranking, as progress was slower than in other countries. Mercosur also made steady progress on improving equity. Inclusion rates have improved marginally and there has been a decrease in exclusion. However, Mercosur members remain among the most unequal countries in the world.

Mercosur has the largest reserves of arable lands and forests in the world. The expansion of cattle ranching and agriculture plantations, coupled with illegal logging, has led to a rapid deforestation in many areas, especially in Brazil and Paraguay, resulting in significant carbon emissions and biodiversity loss. However, in recent years, forest loss has significantly slowed down thanks to a combination of increased environmental enforcement and macroeconomic factors.

The Regional Indicative Programme (RIP) attached to the 2007-2013 EU-Mercosur Regional Strategy Paper (RSP) provided for a total budget of €50m. Three priorities were set (institutional support, preparation for the future EU-Mercosur AA and support for civil society). As a result of the Mid-Term Review (MTR) the Regional Indicative Programme (RIP) has been modified in its first priority. For 2011-2013 two priorities have been identified: priority 1, Support for the development of bio-technologies in Mercosur for €2m, (replacing the previously foreseen support to strengthening Mercosur Institutions), and priority 2, Support for deepening Mercosur and implementing the future Association Agreement (AA) for €15m.

PART II: DIAGNOSIS OF THE REGIONAL SITUATION

The analytical sections of this Mid-Term Review (MTR) draw largely on the MTRs of each Mercosur member country in order to ensure consistency between the regional paper and each of the individual country papers. This analysis builds on those documents with the aim of harnessing the added value and seizing the opportunities offered by working at regional level.

II.1. Analysis of the political, economic, social and environmental situation

II.1.1. Political situation and EU-Mercosur relations

The political situation in each Mercosur member country has a clear impact on Mercosur's political life and on its prospects for development and further integration. A detailed analysis of the situation in each Mercosur member country can be found in their individual MTRs/CSPs.

For its Member States — Argentina, Brazil, Paraguay and Uruguay — the Mercosur 'project' is not only commercial, but also a catalyst of values and a shared future. It embraces social, cultural and several sectoral dimensions. The 1991 Treaty of Asunción and the practice established to implement it provide the basic framework governing relations between the Mercosur Member States. Its scope is much broader than economic. Although the trade and economic chapter drove integration in the early years, '*Mercosur Político*' is at the heart of the process. As regards Mercosur's international projection, Mercosur countries regularly coordinate and publish common declarations on different issues such as, recently, Honduras and the Haiti earthquake.

The Treaty of Asunción and Protocol of Ouro Preto defined the institutional set-up of Mercosur. The Secretariat is based in Montevideo. It is a small structure with limited powers. The *Common Market Council* (CMC) is the highest-level body of Mercosur and is made up of the Ministers of Foreign Affairs and of Economic Affairs of the Member States. Member States chair the CMC in rotating alphabetical order, for six-month periods, and decisions are taken by consensus. The *Committee of Permanent Representatives* is made up of representatives of member countries with ambassadorial rank. This also establishes links with the Joint Parliamentary Commission, with the Economic and Social Consultative Forum and with the specialised meetings of Mercosur. It ensures continuity between successive rotating presidencies.

The *Common Market Group* (CMG) is the executive body of Mercosur and is coordinated by the Ministries of Foreign Affairs of the Member States. Its basic duties are to ensure compliance with the Treaty of Asunción and to implement the decisions taken by the Council. It has the authority to organise, coordinate and supervise working groups and to call special meetings to deal with issues of interest. It decides by consensus.

Within Mercosur, decisions are taken at intergovernmental level and have to be converted into national legislation. At the time of writing, only about half the rules adopted were actually in force. The members' different capacity for internalising rules has an impact on Mercosur's integration process¹. Nevertheless, common initiatives are taken at a sustained pace².

Considerable differences persist between Mercosur countries, in terms of size, population, infrastructure, economic development and the functioning of their political and administrative institutions. This makes generalisation at Mercosur level risky, to say the least. The asymmetries are reflected in the external projection of individual Member States among other things and have a clear impact on the internal functioning of Mercosur and on its decision-making capacity. In

¹ For example, the Customs Code has yet to be enforced and double taxation signifies that Mercosur is still an imperfect customs union.

² These include the recent establishment of new institutions and instruments to promote integration such as the *Instituto Social del Mercosur* in Asunción, the *Programa de Integración Productiva del Mercosur*, the *Fondo de Garantías a PyMEs* and the *Fondo de Agricultura Familiar*.

order to address this problem, Mercosur established a *Fund for Structural Convergence* (FOCEM), which was recently doubled to approximately US\$200m a year, to finance projects of regional interest. The Latin America Investment Facility (LAIF) could contribute to these efforts.

The recognition that democratic institutions are a prerequisite for its own integration and that any alteration of the democratic order is unacceptable lies at the heart of the Mercosur process.

In 2005, a Protocol was approved establishing the *Mercosur Parliament*, which replaced the Joint Parliamentary Commission. The Parliament was inaugurated in December 2006 and in 2008 Paraguay became the first country to elect its members directly, although direct and universal elections at regional level will not be held before 2014. Divergences persist between member countries in relation to the system of representativity of each country.

The *Tribunal Permanente de Revisión* (Permanent Review Tribunal) was established in 2006 in order to ensure consistent interpretation and systematic application of common legal instruments and rules. The decisions of the court, which sits in Asunción, are not binding.

In 2007, the *Observatorio de la Democracia del Mercosur* (ODM) was set up in order to consolidate the objectives of the Protocol of Ushuaia by tracking electoral processes and coordinating the activities of a corps of election observers. Mercosur's commitment to human rights is epitomised by the 2009 decision establishing the *Instituto de Políticas Públicas de Derechos Humanos* with the objective of monitoring the human rights policies of the four countries.

In 2009, Paraguay and Brazil found a solution to the long-standing issue of Itaipú. The Botnia dispute between Argentina and Uruguay has been ruled on by the International Court and a solution which seems to satisfy the parties was decided.

One aspect of particular significance is the accession of the Bolivarian Republic of Venezuela. This has been a protracted process. At the time of writing, the only step missing was approval by the Paraguayan Congress. Venezuela's accession to the bloc has been perceived as a potential gain in terms not only of trade opportunities and regional energy integration but also of regional stability. The implications for the integration process and the impact on Mercosur's relations with the EU remain to be assessed.

In the wider South American context, the number of significant players has increased, with growing involvement of China and Russia, but also, in some countries, of others such as Iran. Moreover, a degree of polarisation between countries can be observed, new fora for political discussion and economic interests have been established³ and a general increase in defence spending is being seen⁴. By deepening relations between its members and associated countries, Mercosur can contribute to regional stability. Mercosur members, together with Bolivia and Chile, established a 'mechanism for political consultation and decision' on issues of regional interest.

Remarkably, two Mercosur member countries — Argentina and Brazil — are members of the G-20, the most powerful gathering of economic and financial decision-makers.

Relations between the EU and Mercosur build on the EU's bilateral relations with individual Mercosur members and, at the same time, harness the added value of dialogue on certain issues at regional level. Each individual MTR/CSP includes an analysis of bilateral relations between the EU and Mercosur countries. Regular meetings between Mercosur and the EU addressing political

³ Sometimes overlapping with existing ones in terms of mandate and membership.

⁴ Military spending in the region leaped from US\$29bn to US\$39.6bn between 2003 and 2008. The former Uruguayan President described this as an arms race and the Peruvian President felt compelled to try to broker a non-aggression pact between the countries in the region.

dialogue and cooperation have been taking place at both SOM level (on a yearly basis) and ministerial level (every two years). On these occasions, discussions have centred on a wide range of topics such as the situation in the two regions, human rights, social issues, climate change, migration, drugs, etc. These dialogues take account of and build on the dialogues which the EU conducts on such issues with each Mercosur member country at bilateral level.

Relations between the EU and Mercosur are embedded in the overall EU-LA strategic partnership, established in 1999. The EU recently published its strategy for EU-LA relations, *'The EU and Latin America: Global Players in Partnership'*⁵ (see Section II.2).

At the latest ministerial meeting, held in Prague on 14 May 2009, both parties reaffirmed their interest in extending bi-regional cooperation to the three sectors specified in the 2008 Lima Declaration (infrastructure, renewable energy sources and science and technology) and reiterated their commitment to working towards an Association Agreement. This Mid-Term Review and the attached Regional Indicative Programme for 2011-2013 aim to reflect these moves.

On May 17, during the 4th EU-Mercosur Summit of Madrid, Leaders of the EU and Mercosur decided to relaunch negotiations in view of reaching an ambitious and balanced Association Agreement.

Bilateral relations between the EU and the individual countries are constructive and excellent dynamics have been built up. The legal bases are the first-generation Framework Cooperation Agreements, which entail regular consultations on political, cooperation and economic issues. Joint Commissions with Uruguay, Paraguay and Argentina meet every year. An EU-Brazil summit is also held every year⁶ as part of the strategic partnership, while meetings at ministerial level take place occasionally⁷. An ambitious Joint Action Plan has been agreed.

Bilateral agreements on cooperation in the field of science and technology exist with Brazil and Argentina, while earlier this year the EU-Uruguay Joint Commission decided to step up EU-Uruguay cooperation in this field. Uruguay earmarked around 30% of the NIP funding to cooperation on science and technology. In order to build on the established practices, the RIP attached to this Mid-Term Review proposes refocusing one priority on joint action on applied research on biotechnologies.

II.1.2. Economic situation and trade

An analysis of the economic situation in each Mercosur country is included in their individual CSP/MTR. In economic terms, Mercosur is one of the biggest groupings at global level, with a nominal GDP of US\$2014 bn and a population of 241 million in 2008. Its combined GDP is higher than India's. Brazil is the largest economy, with 81.3% of Mercosur's total GDP, followed by Argentina (16.3%), Uruguay (1.9%) and Paraguay (0.8%). Mercosur's average per capita GDP was US\$7,200 in 2008. According to IMF data, in 2008 Uruguay had the highest per capita GDP (US\$9,653) and Paraguay the lowest (US\$2,601). Brazil and Argentina recorded US\$8,295 and 8,171, respectively. In 2008, Uruguay, Brazil and Paraguay showed a deficit in their current account balances. Argentina, on the other hand, had a surplus.

The global financial and economic crisis had an impact on the sub-continent in the second half of 2008 and first half of 2009. Overall, Mercosur is no exception. Due to the global downturn, the contraction of their main consumer markets and the fall in commodity prices, all Mercosur countries were affected by a drop in the value of exports, retracting foreign investments and lower remittances which resulted in two quarters of GDP contraction. Recovery set in relatively quickly

⁵ SEC(2009) 1227 final.

⁶ The latest on 6 October 2009.

⁷ The latest on 15 February 2010.

in South America and Mercosur countries, in particular, weathered the crisis better than during previous crises⁸.

The reserves accumulated in previous years allowed for robust countercyclical policies, the improved macroeconomic policies prior to the crisis also playing an important role. Region-wide, the banking system is sound, even though credit availability has decreased and capital flight has taken its toll on deposits. The OECD's latest 'Latin America Economic Outlook' underlined that Latin American countries with greater exposure to trade and capital flows proved to be more resilient to the crisis. As they were more 'capital-friendly' to start with, their institutions limited the plunge and allowed a prompt resumption of growth.

In general, growth in 2009 has averaged an estimated -0.3% for the region as a whole. According to IMF estimates Paraguay's real GDP has decreased by 3.8%, Brazil's by 0.2% while Argentina and Uruguay enjoyed a modest positive performance (+0.9% and +2.9% respectively)⁹.

According to recent consensus forecasts, regional GDP is expected to grow by an annual average of 4.4% in 2010-11. In a context of historically low unemployment rate (which averaged 7.2% in the region in 2008), in 2010 Paraguay's economy is expected to grow by 6.0%, Uruguay by 5.7%, Brazil by 5.5% and Argentina by 3.5%, according to IMF forecasts.

Until 2008, inflation was increasing but still below 10% on a year basis. By end-2008 inflation mounted to 7.2% in Argentina, 5.9% in Brazil, 7.5% in Paraguay and 9.2% in Uruguay. According to consensus estimates, inflation should average 8.6% over the 2009-11 period.

The NIPs for Argentina and Paraguay include amongst their priorities enhancement of economic competitiveness (approximately 60% of the funding) and support for economic integration (approximately 8%). In order to build on this and create synergies at regional level with activities in progress at country level, one of the priorities set in the RIP attached to this MTR is to foster regional integration and prepare Mercosur for a possible future AA with the EU.

From 2003 to the first half of 2008, the favourable international business climate allowed trade flows to and from the bloc to grow considerably. According to the Inter-American Development Bank, exports from Mercosur totalled US\$325.7 bn in 2008 (up by 25% compared with 2007) while imports rose to US\$312.6 bn (36.2% up on 2007). From the second half of 2008 onwards, weakening exports and the exceptional growth in imports contributed to the deterioration of the extra-regional trade balance.

Total intra-Mercosur trade declined in 2009 to US\$28.9 bn, almost the same as in 2007. Exports to the rest of Mercosur from Brazil totalled US\$15.8 bn, while imports into Brazil stood at US\$13.1 bn, a drop of 27.2% and 12.2% compared with 2008, when exports and imports actually increased by 25.3% and 28.5% respectively over 2007. Mercosur generates 10.3% of Brazil's total foreign trade.

In general, although intra-Mercosur trade has showed a more favourable trend than extra-Mercosur trade in recent years, the former still makes up a low percentage of the countries' total trade flow, accounting for only 15% in the first half of 2008. Intra-Mercosur exports averaged 15.3% of total exports in the first half of 2008, according to the IDB¹⁰. Although this figure has

⁸ The crisis of the beginning of the 80s in Mexico, Chile, Costa Rica, of the mid-90s in Mexico, and of the beginning of this decade in Argentina and Uruguay were certainly worse.

⁹ In 2009 GDP per capita is expected to decrease in all Mercosur countries -8% in Argentina, -2% in Uruguay, -7% in Brazil and -17% in Paraguay – IMF estimates, December 2009.

¹⁰ Sources for the data in this section: Inter-American Development Bank, Mercosur Reports No 13, May 2009 and No 14, December 2009 and 'El Comercio Intra-Mercosur en un año de Crisis: Una Mirada con los Datos brasileiros', February 2010.

increased since then¹¹, the share of intra-regional exports in total exports had showed a downward trend since 1998, when it accounted for 28 % of the total. Intra-zone trade asymmetries are quite marked, with Brazil and Argentina accounting for 92 % of total intra-Mercosur exports and Paraguay and Uruguay for the remaining 8 %. Trade tensions between the two main economies in Mercosur — Argentina and Brazil — have continued and were discussed at the highest political level in 2009. Opinions continue to diverge on implementation of the Customs Union Code, particularly on the status of export taxes and the distribution of customs revenue from common external tariffs (CET). Mercosur member countries decided to postpone extension of the list of exceptions to the CET until the end of 2011.

The EU is Mercosur’s leading export market and its second source of imports. EU trade in goods with Mercosur totalled more than €81 billion in 2008, which is equivalent to 160 % of EU trade with India. At bi-regional level, both imports and exports rose in the five years up to 2008, but decreased sharply in 2009. The EU is also the major investor in the region (58 % of total foreign direct investment stock). At €115 billion, the stock of EU FDI in Brazil alone is more than double its stock in India (€16 billion) and China (€40 billion) added together. Including Venezuela, in 2008 EU-Mercosur trade totalled €91.7 billion¹².

	EU imports from Mercosur €billion	% change in imports	EU exports to Mercosur €billion	% change in exports	EU-Mercosur total trade €billion	% change in total trade
2005	31.5		20.7		52.2	
2006	35.6	+13	23.6	+14	59.2	+13.4
2007	42.3	+18.8	28.2	+19.5	70.5	+19.1
2008	48.1	+13.7	33.5	+18.8	81.6	+15.7
2009	35.0	-27.2	27.2	-18.8	62.2	-23.8

Mercosur is conducting trade negotiations with other countries inside and outside the continent. A preferential trade agreement with the *Southern Africa Customs Union* (SACU) was approved in December 2008. Also, the Parliaments of all four Mercosur member countries concluded the ratification processes for the Mercosur-India Agreement in 2008. On 24 November 2008 the first Mercosur-ASEAN ministerial meeting took place in Brasilia, after signature of the MoU in Singapore. Trade talks are continuing with Morocco, the Gulf Cooperation Council, Russia, Turkey and Jordan. An FTA with Israel was concluded in December 2007 and entered into force in March 2010. An FTA with Egypt could be concluded soon.

The EU has cooperated with Mercosur in the areas of macroeconomics monitoring and data collection. The EU-Mercosur Statistical Cooperation Project II (financial agreement ALA 2005/17540) aimed to strengthen national and regional institutions by developing, improving, harmonising and integrating statistical production and dissemination. It covered three priority areas: social statistics, economic statistics and definition/implementation of a global statistical harmonisation process.

The EU-Mercosur project for macroeconomic monitoring (MMS), currently being implemented, was proposed by the Macroeconomic Monitoring Group of Mercosur as an instrument to support macroeconomic convergence. The aim is to develop harmonised methods and comparable data, which are essential for regional policymaking.

¹¹ For example, it stood at 11.5 % in 2002.

¹² Eurostat data, end of 2009.

II.1.3. Social situation

Fighting poverty and social exclusion are the overarching objectives of the EU's development cooperation with non-EU countries, including its development cooperation at regional level. This Mid-Term Review takes due account of this aspect. Poverty is a multidimensional concept and is one of the main subjects of the EU's dialogue with civil society in Mercosur countries. A detailed description of the social situation in each Mercosur country can be found in their individual MTRs/CSPs.

Overall, Mercosur countries have achieved impressive results on human development in the recent past. Between 2003 and 2008, all absolute values for each individual component of the UNDP's HDI improved in each of the four countries and they all made absolute progress towards achieving the MDGs. According to the 2009 Human Development Report, Argentina, Brazil and Uruguay are countries with high human development and Paraguay is included in the category of medium human development countries. They now rank 49th, 75th, 50th and 101st worldwide respectively. With the exception of Uruguay, which was ranked 63rd in 2003, their ranking has slipped, as in 2003 Argentina was 34th, Brazil 46th and Paraguay 88th. This worsening in the ranking means that they made slower progress than other countries.

Poverty incidence in Paraguay decreased from 9.3% in 2005 to 6.5% in 2007 (in 2002 it was 17.2%), while in Brazil the figures moved from 7.8% in 2005 to 5.2% in 2007 (9.8% in 2002). In the cases of Argentina and Uruguay, the latest available data (HDR 2009) indicate poverty incidence of 4.5% and under 2% respectively (data for urban areas only)¹³.

Despite the favourable economic situation up until 2008, poverty remains an issue and the recent international financial crisis could have a negative impact. Lifting people over the poverty line and keeping them above it will depend on the dynamism of the economy, but also on continuing redistributive policies and improving employment conditions and access to social services.

Latin America in general, and Mercosur in particular, also made steady progress on improving equity. Inclusion rates have improved marginally and, according to the UNDP¹⁴, there has been a decrease in exclusion. However, Mercosur members remain among the most unequal countries in the world. At global level, Brazil ranks 11th (Gini coefficient of 0.570), preceded in Latin America only by Bolivia, Colombia and Paraguay (9th with a Gini of 0.584). Argentina comes 20th (Gini 0.513) and Uruguay 39th (Gini 0.449). In Paraguay the richest 10% of the population hold 65.4 times the wealth owned by the poorest 10%. The corresponding figures are 51.3, 40.9 and 17.9 times for Brazil, Argentina and Uruguay respectively.

Steady improvements in health indicators have been observed in all Mercosur countries. From 1990 to 2007, major progress was made on improving the under-five mortality rate¹⁵, immunisation¹⁶ of 1 year-olds and life expectancy at birth which now stands at 75.9 in Uruguay, 74.9 in Argentina, 71.7 in Brazil and 71.3 in Paraguay.

Educational coverage has improved in recent years and the overall level of education of young people in the Mercosur countries is considerably higher than in the past. Universal education at primary level seems within reach, with a literacy rate of 98% amongst the 15-24 years-old population and school enrolment of over 93%. Secondary school attendance has also increased over the last decade, although participation and completion rates remain low in all four countries

¹³ All data on poverty incidence in this section are calculated in relation to the national poverty line.

¹⁴ Human Development Report for Mercosur, 2009.

¹⁵ From 29 to 16 per thousand in Argentina, from 25 to 14 in Uruguay, from 58 to 22 in Brazil and from 41 to 29 in Paraguay.

¹⁶ Average of 93.5% in 2007, when Paraguay recorded the lowest rate with 80%.

(23.2% in Argentina, 15.1% in Uruguay, 23.6% in Paraguay and 21.2% in Brazil¹⁷). The most notable advances have occurred in Brazil, where the net school attendance rate rose from 19% to 78% between 1991 and 2005. The highest percentage of youths completing tertiary education is to be found in Argentina (one in eight in the 25 to 29 age group). However, the Economic Commission for Latin America and the Caribbean reports problems of quality, particularly in terms of appropriateness of the curriculum to new technologies.

Regarding gender inequalities, out of the 157 countries with both HDI and gender-related development index (GDI) values the bloc is making progress: Paraguay is ranked 30th, Brazil 35th, Uruguay 36th and Argentina 37th. Argentina, Uruguay and Brazil rank 25th, 66th and 81st out of 108 countries for the Gender Empowerment Measure (GEM), which reflects the extent to which women play an active part in economic and political life.

A full overview of the MDG indicators is attached in Annex 1. EU support for social sectors in the Mercosur countries is provided at individual country level, when appropriate. For example, in Paraguay a considerable percentage of the NIP is earmarked for education. Support for social sectors at regional level is not considered effective, considering the wide disparities in the relative level of social development and in the policies of the four countries.

II.1.4. Environmental and energy trends

The Environmental Performance Index (EPI)¹⁸ gives Brazil, Uruguay and Argentina very respectable rankings of 34th, 36th and 38th respectively, while Paraguay is ranked 63rd. The detailed environmental profile of each country is included in their individual CSPs.

Environmental themes have been on Mercosur's agenda ever since it was founded. The environment is considered to be one of the fundamental shared values and is mentioned in the preamble to the Treaty of Asunción¹⁹. Very early in the history of Mercosur, its members began to coordinate their positions in international fora. In 1995, a specific working group on the environment (SGT6) was set up. It aims to enhance coordination on environmental policies between Mercosur countries. A number of *ad hoc* groups have been set up under SGT6, including one on biodiversity and another on environmental goods and services. A specialised meeting of Mercosur Environment Ministers was established in June 2004 and they have met regularly ever since.

In March 2001, in Asunción, Mercosur adopted a Framework Agreement on the Environment (ratified in 2004), in which the bloc reaffirms its commitment to the principles set out in the 1992 Rio Declaration. The purpose of the Framework Agreement is 'sustainable development and protection of the environment through the coordination of the economic, social and environmental dimensions'. It aims to promote protection of the environment and the most effective use of available resources by (i) incorporating the environmental component in sectoral policies and decision-making processes, (ii) fulfilling the international environmental agreements to which Mercosur Member States are party and (iii) adopting common policies on environmental issues. It also encourages exchanges of information on environmental laws and practices, scientific research with a view to developing new technologies and cooperation on environmental protection and sustainable use of natural resources.

The environment is one of the main subjects of our policy dialogues with Mercosur countries and at continent-wide level. Issues such as green economy, climate change, biodiversity conservation, and sustainable energy figure prominently in EU- Latin America Summits. Those subjects are being translated in subsequent cooperation initiatives, in particular with Brazil (forest protection)

¹⁷ UNDP HDR for Mercosur 2009.

¹⁸ The EPI index combines pollution control and natural resource management.

¹⁹ All the Mercosur countries have ratified the UN Framework Convention on Climate Change and the Kyoto Protocol.

and with the other Mercosur countries. At Mercosur level an ambitious project — called ECONORMAS — covering environmental protection and technical standards was launched recently. It will be coordinated by the Uruguayan Technological Laboratory. This project includes, among other subjects, the fight against desertification. As a cross-cutting issue, the environment is also taken into account when defining and implementing all projects and programmes co-financed by the EU with Mercosur.

Energy is at the top of the Mercosur agenda and the importance of interconnection and integration between Mercosur member countries and associated states has been stressed by all the Presidents²⁰.

Argentina and Brazil produce crude oil (0.9% and 2.4% of total world production respectively) and natural gas (1.4% and 0.5% respectively) and are leading exporters of bio-fuels²¹. Brazil imports a significant amount of natural gas (around 11 billion m³ in 2008, mainly from Bolivia). Uruguay's and Paraguay's energy policies are based mainly on hydroelectricity production and oil imported from other countries in the region.

Nuclear power is being developed in Argentina and Brazil (where it generates 3% and 1.6% of total energy production respectively). Mercosur is taking significant steps on use of renewable energy sources, mainly wind and biomass (Brazil is the second largest ethanol producer in the world).

In 2007, an Action Plan for Cooperation on Biofuels was adopted by Decision CMC No 49/07. It covers nine activities, each with specific objectives, and establishes an Ad Hoc Group on Biofuels under the Common Market Group. Certain energy issues are to be addressed by projects financed by the Fondo de Convergencia Estructural de Mercosur (FOCEM).

The possible accession of Venezuela would significantly increase the energy potential of the bloc, setting the stage for enhanced sub-regional cooperation on production and distribution infrastructure, trade and investment²².

Further to the high-level policy and cooperation dialogue held in Asunción in March 2009, the EU and Mercosur agreed to start technical dialogues in the priority areas agreed by the Heads of State and Government in Lima in 2008. One of those dialogues concerns renewable energy sources. It will be based on joint diagnosis of the situation and prospects in Latin America and in the EU, exchanges of experience and joint initiatives to develop production and use of renewables. The dialogue involves representatives of the Ministries of Energy, of the Environment and of Science and Technology from Mercosur countries and representatives of different Commission Directorate-Generals.

II.2. New EU policy objectives and commitments

Relations between the EU and Mercosur are embedded in the overall EU-LA strategic partnership, established in 1999. In order to adapt its strategy to recent changes and developments at global and regional levels, the EU recently published its strategy for EU-LA relations, *'The EU and Latin America: Global Players in Partnership'*²³. The EU strategy is built around four main priorities: (a) stepping up the EU-LA dialogue, (b) continuing to encourage regional integration²⁴,

²⁰ *Acuerdo Marco sobre Complementación Energética Regional entre los Estados Partes del Mercosur y Estados Asociados*, signed in Montevideo on 9 December 2005.

²¹ BP Statistical Review of World Energy, June 2009.

²² Venezuela's oil reserves account for 7.9% of the world total. Venezuela is also rich in gas.

²³ SEC(2009) 1227 final.

²⁴ The EU launched a new instrument to promote regional connectivity with the launch of the Latin America Investment Facility (LAIF), which we intend as a facility which should allow us to leverage other public and private resources for financing infrastructure and social cohesion.

(c) strengthening bilateral relations with individual countries in a way complementing bi-regional relations and (d) improving aid effectiveness and tailoring aid more closely to the needs of each country.

New EU policy objectives in the areas of climate change, energy and migration are highly relevant to Latin America in general, as recognised in the Declaration adopted at the May 2008 EU-Latin America and the Caribbean (LAC) summit in Lima. Climate change and environmental degradation are of growing global concern and are discussed in the political and sectoral dialogues. Mercosur and the EU also share a number of concerns on energy, particularly on the links between climate change and renewable energy sources. Close attention will, in any case, be paid to environmental sustainability when designing and implementing all cooperation funded by the EC over the period 2011-13.

The EUroCLIMA Programme will be a big first step towards promoting interregional dialogue on climate change, while the Latin America Investment Facility (LAIF) could finance investment projects on infrastructure interconnectivity, sustainable transport and communications networks, energy efficiency, renewable energy systems, social sectors and the environment.

The Lima summit also identified new areas for cooperation between the EU and Mercosur on renewable energy, infrastructure, science and technology. They have been taken into due consideration in this Mid-Term Review for the period 2011-2013, as highlighted by the focal sectors of biotechnologies and food safety. They will also be dealt with in expert working groups including representatives of both blocs. The purpose of these meetings would be to exchange experience, discuss policy positions, set common priorities for cooperation and promote complementarity with the LAIF and the role of the EIB and other IFIs supporting regional integration. By promoting investment with a cross-border environmental and social impact, the LAIF will contribute to the EU's main priorities in the region, namely regional integration, sustainable development and addressing environmental threats. A regional event to promote the LAIF is scheduled in Uruguay later in 2010, in order to spread knowledge about this instrument and encourage commitments from potential investors in areas and projects yet to be defined.

Thanks to a number of EC legislative initiatives, such as the 2008 'Return Directive', migration has received close political attention. The 2008 Commission Communication on 'Strengthening the Global Approach to Migration' set the scene for a structured and comprehensive dialogue on migration. Such a dialogue was launched in 2009 and is being accompanied by a continent-wide project financed by the thematic programme on migration.

As part of the BIOTECH-MERCOSUR-EU project, a regional biotechnologies platform (BIOTECSUR) was set up in December 2007 (FA ALA/2005/017-350). The aim is to bring together the private, academic and public sectors from the four countries to foster development and application of R&D in the Mercosur countries, with a view to increasing the added value and competitiveness of their products on international markets.

The recently signed ECONORMAS MERCOSUR programme promotes sustainable production and consumption patterns in Mercosur countries and supports the Mercosur Strategy to Combat Desertification and the Effects of Drought, closely linked to climate change. BIOTECH MERCOSUR has a clear focus on science and technology. The Mercosur side specifically proposed including a second phase in this RIP II for 2011-2013. MERCOSUR DIGITAL aims to promote use of ICT in Mercosur countries.

As for aid coordination, the Presidency of Mercosur convenes quarterly meetings of Technical Cooperation Committees, attended by donors, to discuss matters relating to cooperation, including coordination. A donors' matrix is attached in Annex 5.

The EU Delegation in Montevideo coordinates efforts to adopt the EU code of conduct on division of labour and organises regular meetings with member countries and inventories of

cooperation at EU level. Coordination is good but has not reached the stage of joint programming or sectoral division of labour.

Certain factors which are not conducive to enhanced donor coordination should be highlighted:

- The EU is by far the largest provider of financial assistance to Mercosur, with the other partners lagging considerably behind in terms of financial commitments. The small number of donors means that no heavy coordination superstructure is needed to exchange information and divide labour between partners. Only three EU member countries have ongoing cooperation programmes with Mercosur.
- Although ODA is significant when compared with the size of Mercosur's overall financial instruments (Secretariat's budget plus other instruments and institutions), it is marginal in relation to the GDP and income of even the relatively poorer members of Mercosur.
- The donor coordination culture is limited and is seldom a priority of the country responsible for implementation. A number of dictates of the Paris Agenda and the Accra Action Plan, such as use of national procurement or of the public finance system and harmonisation of procedures, to name but two, do not apply to the regional/Mercosur institutions. Brazil and Uruguay have not signed the Paris Declaration.
- The Mercosur Secretariat in Montevideo has no implementation capacity and limited executive powers. Implementation of each Mercosur project, including those co-financed by development cooperation, is anchored at the level of the individual Mercosur Member State concerned which remains responsible for attainment of results and outcomes. This means that the configuration of each coordination structure and its practices differ from country to country.

Against this background, it is more realistic to concentrate efforts on maintaining a regular flow of information between donors on their activities.

II.2.1. Other cross-cutting issues

EU-Mercosur cooperation projects and programmes routinely take cross-cutting issues into account. Human rights, gender equality, environmental and climate change issues, democracy and good governance, sustainable development and the fight against HIV/AIDS²⁵ are regularly taken into account throughout the whole cycle of the project.

OLAF and DG AIDCO are planning a Latin America-wide conference in Panama for October 2010, focused on the cooperation between national and international authorities for the optimisation of public funds in external aid.

The loss of human lives, livelihoods and development assets, combined with the rise in the cost of reconstruction efforts, has recently pushed disaster reduction and risk management high up the policy agenda of the European Union. In February 2009 the Commission adopted a Communication on an EU strategy supporting disaster risk reduction in developing countries²⁶. It commits the Commission to taking account of this dimension in all its development instruments, which is also consistent with the Lima Declaration on activities to mitigate climate change.

II.3. Relations with civil society and non-State actors

EU cooperation is defined and implemented in partnership with civil society in the four Mercosur member countries, which is regularly consulted on setting priorities and drafting the RSP. During

²⁵ Source: Article 3(3) of Regulation No 1905/2006 (the 'DCI Regulation').

²⁶ COM(2009) 84 final of 23.2.2009.

the preparations for this Mid-Term Review civil society in all four countries was consulted twice: first in 2009 when a study on Mercosur non-State actors was financed by the EC²⁷ and then in February 2010 in each of the four Mercosur countries, led by the EU Delegation in Uruguay.

In Argentina the response to the choice of priorities was overwhelmingly positive, with particular appreciation for the aspects concerning food safety and food security. Brazilian civil society considered continuation of the BIOTECHSUR project particularly relevant but felt that the EU should intervene in the environment field at regional level. Despite the intrinsic value of any hypothetical intervention at Mercosur level in this field, Brazil felt that it would add little to the ongoing activities at bilateral level with Brazil, where the environment is a focal sector of EU cooperation, and other initiatives at LA-wide and multilateral level, which seem much more promising. In Paraguay, NSAs agreed with the choice of priorities, particularly on continuation of BIOTECHSUR and the work on food safety, the latter of which was considered especially promising because of its potential for generating jobs. Participants asked for more information on the specific activities. However, since the projects had not yet been defined, it was not possible to provide this. As the regionalised EC Delegation responsible for Mercosur is in Montevideo, Uruguayan NSAs are consulted more regularly than NSAs in other countries and the priorities were selected after an in-depth dialogue. While recognising the importance of the two themes selected, NSAs were worried about the low level of institutionalisation of Mercosur and its ineffectiveness as a consultative forum for civil society. They underlined that the EU should continue to support strengthening of Mercosur institutions.

Civil society is also associated with management of cooperation programmes and projects: education institutions in programmes related to education — for example, ‘Support for the Mercosur Mobility Programme in Higher Education’ and the ‘Programme of Support for the Education Sector in Mercosur’, — or cultural stakeholders in the ‘MERCOSUR AUDIOVISUAL’ programme and research institutions in the ‘Programme on Support for Development of Biotechnology in the Mercosur countries — BIOTECH’.

Consultation of the national parliaments is governed by the procedures of the Mercosur member countries and is their responsibility. Parlasur has been one of the direct beneficiaries of the EU-Mercosur cooperation²⁸ and was consulted during the drafting of this MTR.

II.4. Risks and assumptions

A number of political, economic, social and operational risk factors could undermine the relevance, implementation and, ultimately, impact of this strategy.

Relations between Mercosur member countries are generally good, with a high level of coordination between them. However, some problems persist, such as trade disputes and divergences over harnessing of common natural resources, which could potentially have an impact on the effectiveness of Mercosur institutions and, ultimately, on deepening the integration process. Differences of approaches to economic management exist between the four member countries, but do not seem to pose a threat to the integration process.

The main economic and social risks would be a slowdown in the economy and a dampening effect on growth as a result of inflation, combined with a rise in unemployment levels which could lead to greater protectionism and blockages in the Mercosur integration process. However, given current trends, such risks should be considered a ‘worst-case scenario’ and a relatively remote possibility.

²⁷ ‘Diálogo con las Organizaciones de la Sociedad Civil del Mercosur — Diagnostico Exploratorio’, Fundación TIAU, July 2009, Buenos Aires, Argentina.

²⁸ The second phase of a support project was completed in August 2009.

Operational risks are concentrated around absorption and institutional capacity and the fact that implementation of each project or activity requires separate institutional architecture, differing from country to country, as outlined in Section 2.5.

PART III: RESULTS, PERFORMANCE AND LESSONS LEARNED

The 2007-2010 RIP set three priorities:

Priority 1 '*Support for institutionalisation of Mercosur*' should have led to two projects: 'Support for the Secretariat of Mercosur' (EU contribution: €1 m) and 'Support for the Permanent Review Tribunal of Mercosur' (EU contribution: €1 m). Both projects were jointly defined and presented as part of the 2007 Annual Action Plan (AAP). However, Mercosur authorities decided not to endorse the projects and the funds earmarked for them were returned to the EU budget. In view of this unsatisfactory outcome, Mercosur proposed refocusing the remaining funds in the second phase of the programming period.

Priority 2 '*Support for deepening Mercosur and implementing the future Association Agreement*' is the most important area of activity with around 70% of the funds. The 'ECONORMAS MERCOSUR' project, with an EU contribution of €12 m and Mercosur financing of €6 m, was included in the 2009 AAP and approved by the DCI Committee in March 2009. The financing agreement was signed during the Mercosur summit in December 2009.

Priority 3 '*Civil society*' was to have included two projects: 'MERCOSUR AUDIOVISUAL' (EU contribution: €2 m) and a 'Programme of Support for the Education Sector in Mercosur' (EU contribution: €6.8 m), both within the 2008 AAP. The European Parliament (EP) did not endorse these two projects on the grounds that they would not contribute to poverty reduction and could not be classified as official development assistance. 'MERCOSUR AUDIOVISUAL' was financed with alternative funding, whereas the education project was jointly reformulated and re-focused on improving teacher education and then approved by the European Parliament.

III.1. Description of individual past and ongoing projects

Following a long preparatory phase and intense internal debates, the financing agreement for the ECONORMAS project (€18 m) was signed on 5 December 2009. Implementation is about to start.

The Mercosur Annual Action Programme for 2010, including the reformulated 'Support for the Education Sector in Mercosur' project (€6.77 m) was approved by the EU member countries by written procedure and endorsed by the EP. Implementation will start soon.

The new version of the financing agreement for 'MERCOSUR AUDIOVISUAL' (€1.86 m) was signed at the Mercosur summit of 22-23 July 2009. Implementation has started, as the first programme estimate was approved by the GMC on 5 December 2009. Activities started in March 2010.

After considerable delays, implementation of the 'Higher Education Mobility Support Programme' (€3 m) has finally started. The first programme estimate was approved by the GMC on 5 December 2009.

The 'Support for the Information Society in Mercosur' (€9.62 m) was launched on 8 September 2009, jointly by the Director-General of DG Information Society, Mr Colasanti, the Uruguayan Minister for Education and Culture and the Brazilian Vice-Minister for Science and Technology. Ten calls for tenders have been published and activities have started. The Mercosur Digital Project seeks to promote common policies and strategies to foster the use of Information and Communication Technologies and a digital economy within Mercosur.

The Mercosur Audiovisual Plan contributes to the development of the cinematographic and audiovisual sector of the Mercosur. Mercosur Audiovisual promotes the complementation and integration of cinematographic and audiovisual industries in the region, to harmonize public policies and regulations in the area, to support the free circulation of cinematographic and audiovisual goods in the Mercosur countries, and to support human resources in the sector.

Implementation of the 'Statistics II' project (€3.16m) will end on 7 June 2010. The level of activity has increased significantly. This goes for both the working groups and for studies, most importantly the studies concerning the common statistics plan the Mercosur social statistics plan. After many years of political lobbying by the National Statistical Authorities of the four Mercosur countries, on April 9, the Common Market Group (CMG) approved the creation of a Specialized Statistics Meeting for Mercosur. It is expected that this would have a major impact in the future development of the Mercosur regional statistics.

'BIOTECH' (€7.3 m) presented the strategic plan for biotechnologies in the Mercosur countries, an ambitious document laying down the lines of action for the years ahead with the aim of internationally positioning the Mercosur biotech sector. In parallel, capacity-building in the SMEs sector and strengthening of networks are continuing. BIOTECH and the integrated projects are advancing without any notable difficulties. The high level of ownership has secured deep involvement of institutions from all four countries. This is unanimously considered a very successful project, so much so that it seemed very sensible to agree to Mercosur's request to co-finance a second phase.

Signature of rider No 1 to the financing agreement for the 'Support for Macroeconomic Monitoring' (€13.7 m) in October 2009 extended the period for implementation of the project to 5 March 2011 and allowed mobilisation of contingency funds and approval of the second annual work plan.

The rider to the 'Sanitary and Phytosanitary Standards' project (€7.16 m) was signed at the same time. Existing contracts were extended and adjusted to the longer implementation period (until 23 May 2011). This will allow satisfactory implementation of the individual activities planned and, above all, turn the action into results. The latest problems with approval of POA 2 were described above.

Implementation of the 'Support for Installation of the Mercosur Parliament' (€1.08 m) ended on 31 August 2009. Overall, the performance of the project was unsatisfactory, as a substantial share of the activities were not implemented. On the basis of past experience, special attention will be paid to the audit and evaluation.

Three projects with a geographical focus on Mercosur were financed from the EU budget.

The first, '*Participación Democrática de los Jóvenes: MERCOSUR and Chile (Derechos Derechos)*', now in its closing phase, was financed with €1.2 m from the EIDHR in 2005.

The '*Innovación y cohesión social: capacitación metodológica y visibilidad de buenas prácticas*' project was financed under the budget line for NSAs in developing countries with an EC contribution of €1.2 m. Implementation started as recently as March 2009. It is too early to assess performance. The project will be completed by June 2012.

The '*RED DEL SUR: Promoción del cooperativismo de trabajo asociado y fortalecimiento de las redes de micro emprendimientos de la economía social de MERCOSUR*' project was also financed under the budget line for NSAs in developing countries with €2.25 m as it presents clear potential for synergies with activities financed under priority II of this RIP. The financing agreement was signed in December 2009. Implementation of the project has just started and is expected to be completed by mid-2013.

III.2. Lessons learned

Implementation of regional programmes poses unique challenges and is usually complex. Mercosur is no exception, as the absence of a single counterpart with decision-making power adds to the complexity. Decisions concerning cooperation projects are taken by consensus by the Mercosur Common Market Group, chaired by the Presidency. The GMC meets on a quarterly basis, which makes good planning and coordination essential. This complexity and institutional rigidity often leads to delays at all stages of the project cycle.

Lack of synchronisation between Mercosur approval of certain documents and the administrative procedure within the Commission has proved a serious obstacle and sometimes resulted in documents going to and fro between EU and Mercosur authorities more than once.

Experience to date confirms the importance of ownership in project definition and implementation and the fact that each project should be adapted to Mercosur's own specific integration process and dynamics.

There is a pressing need for an in-depth evaluation of the cooperation between the EU and Mercosur and this was being launched at the time of writing. However, the evaluation was not due to be completed by the deadline for the MTR and the results will therefore not be taken into account in the ongoing exercise. If need be, they will be incorporated into the next review.

It will be important to promote complementarity with the new Latin America Investment Facility (LAIF) and the role of the EIB and other IFIs supporting regional integration.

PART IV: THE EU RESPONSE STRATEGY

IV.1. Rationale for the choice of focal sectors

The priority areas were selected jointly by the EU and Mercosur, represented by the rotating Mercosur Presidency, in consultation with civil society in the four countries and other non-State actors.

The selection criteria were: the reciprocal interest in cooperating in specific areas, the expected added value of action at regional level as opposed to country-level activities, the expected added value to be gained from the bi-regional partnership, as opposed to bilateral cooperation between Mercosur and partners, past experience of co-financing and the results obtained from it and the coherence of the areas selected with the terms of reference of the DCI, i.e. the potential for poverty reduction.

The challenges tackled by the Mercosur RSP cannot be dealt with at national level due to their specific regional character. Regional integration can only be promoted by action at Mercosur level, not by parallel programmes in each of the individual countries. Indeed, Mercosur-level working groups, activities directed at harmonising technical norms and procedures, statistics, etc. dominate much of the cooperation programme. The RSP provides clear added value for the Mercosur regional integration process.

As indicated above, at the time of writing a window of opportunity was open for resuming negotiations on an AA. The overarching objectives of cooperation between the EU and Mercosur should be maintained, i.e. promoting regional integration within Mercosur and bi-regional relations between the EU and Mercosur. Supporting implementation of a possible AA between the EU and Mercosur remains one of the leitmotifs of all joint EU-Mercosur activities.

Cross-cutting issues such as governance, gender, human rights and the environment are mainstreamed into all cooperation activities jointly financed by the EU and Mercosur. The

disaster reduction and risk management dimension will also be integrated as a cross-cutting issue, as provided for in the Lima Declaration and the EU Strategy supporting Disaster Risk Reduction adopted in February 2009²⁹.

The 2007-2013 RSP identified two measures to be taken under the RIP for 2011-2013, one aiming to strengthen Mercosur institutions³⁰, the other to harmonise rules.

Based on previous experience with projects to support Parlasur, the GMC no longer considered capacity-building a priority, but instead proposed continuing the 'Support for development of biotechnology in Mercosur — BIOTECH' to consolidate the results of this very successful project. This is in line with the priorities set at the Lima summit. and considering that Mercosur is one of the world's main producers of agricultural crops and that transformation into agro industrial and other higher value production is almost impossible without use of biotechnology, the importance of biotechnology input is evident. Most Mercosur SMEs have still little exposure to biotechnology and therefore a continuation of the ongoing activities is considered pertinent to maintain the competitiveness of Mercosur SMEs within these sectors.. Although formal evaluation of the project and its impact will not be completed until the second half of 2010, the project has already produced considerable results, principally establishment of a regional biotech platform bringing together the official, research and private sectors. Mercosur is committed to continuing the platform.

The second area of activity — 'Support for deepening Mercosur and implementing the future Association Agreement' — was maintained, as it is considered a priority now more than ever.

In this area, the recently approved '*ECONORMAS MERCOSUR*' programme aims, among other things, at improving the quality standards of goods produced in Mercosur countries and strengthening the capacity to match improvements in quality with compliance with environmental standards, including sustainable management of natural resources. A total of €12m has been earmarked for this programme.

As for the action planned on this priority under RIP II, the Commission and Mercosur agreed to co-finance a second phase of a previously financed project, the successful programme on '*Cooperation for Harmonisation of Veterinary and Phytosanitary Standards and Procedures, Food Safety and Differentiated Agricultural and Livestock Production*' with up to €15m of EU funds. Overall, the project aims to improve consumer protection and will be supplemented by activities on food safety to be defined during the second phase of the programming period. An evaluation of the project in 2010 will provide valuable input for subsequent definition of this new project. . SPS issues are still a main concern for the Mercosur exports of food products, where the Mercosur countries are among the world's key suppliers of fresh fruit, shrimps & sea-foods etc. The need for improved SPS measures and increased awareness - especially among SMEs - in order to stay in the market is an important justification for this intervention.

The Latin America Investment facility, LAIF, might open new opportunities for cooperation between the EU and Mercosur in areas such as infrastructure,, innovation, applied research, environment and climate change. The involvement of other stakeholders, such as the European Investment Bank or the IDB, could also be envisaged. Climate-proofing of the Mercosur economies, e.g. with the help of clean technologies, could be a theme worthwhile exploring for future development of cooperation with Mercosur, beyond the current MTR.

As Mercosur is not a legal entity and has no supranational body with legal personality, the only possible method of aid delivery is the traditional project approach.

²⁹ COM(2009) 84 final of 23.2.2009.

³⁰ Third phase of 'Support for the Mercosur Parliament', co-financed by the EC with €2m.

The most significant risk to cooperation activities could stem from delays in the decision-making process. This risk will be minimised by the regular contacts which EU Delegations in the region maintain with their counterparts in Mercosur member countries.

PART V: REGIONAL INDICATIVE PROGRAMME FOR 2011-2013

The MTR of the RSP has led to a modification of the first priority of the RIP. . Funds earmarked for institutional support during the first phase of the programming period, although limited to 5 % of the overall programme, were not spent. After consulting NSAs, it was jointly decided with Mercosur that the remaining funds for priority 1 (€2 m or 5 % of the programme) should be redirected towards support for biotechnologies, on the basis of previous very positive experience. All countries concerned agreed both that implementation of the ‘Support for development of biotechnology in Mercosur³¹’ had been very successful and that continuation of these activities was desirable.

Priority 2 of the RSP — ‘Support for deepening Mercosur and implementing the future EU-Mercosur Association Agreement’ — will be maintained. .

Sector/contribution	Amount 2011-2013
Priority 1 — Support for development of biotechnology in Mercosur	€2 m
Priority 2 — Support for deepening Mercosur and implementing the future EU-Mercosur Association Agreement (phase 2)	€15 m

The results and indicators for the two focal sectors are indicative and are not exhaustive. They will be integrated and supplemented when the Annual Action Plans are drafted.

V.1. Priority 1: EU-Mercosur cooperation on biotechnologies

As a contribution to establishing a regional platform for biotechnology, this action is of commercial and scientific importance and of particular significance as a potential source of economic growth and, hence, of poverty alleviation. An evaluation will be carried out immediately before definition of the project starts. At that time, it will be possible to complete the logical framework for the project. The logical framework of the first such project is set out below to give an indication of the likely structure of the project.

Overall objective

To contribute to development and use of biotechnology in the Mercosur countries, thereby adding value to and enhancing the competitiveness of their products on international markets.

Specific objective

To strengthen regional coordination in the biotechnology sector and enhance the efficiency and effectiveness of research projects in both the private and public sectors.

Activities

Activities consistent with the specific objective and the overall EU contribution will be decided in the project identification phase.

Expected results

1. A platform for sustainable regional coordination of research into biotechnologies in Mercosur countries should be functioning and effectively linking entrepreneurs, researchers and governments.
2. The conditions should be created for defining and implementing a regional strategy for the biotechnology sector.

³¹ A previous project to support biotechnologies was financed under the 2002-2006 RSP.

3. Technology should be transferred effectively from research centres and academic institutions to the private sector.

Indicative indicators

- Number of participants from the three sectors in the various meetings on the project, with emphasis on private-sector participation (result 1).
- Level of cooperation agreements between the private and public sectors (1).
- Networks of regional excellence on biotechnology (1).
- Action Plan for development of biotechnology in the region completed (result 2).
- Number of measures approved and taken under the Action Plan (2).
- Number of projects funded and amounts granted under the support for research into biotechnology in Mercosur countries (2).
- Growth of the labour force employed in the biotech sector (2).
- Increase in output from the biotech sector, as measured by turnover (result 3).
- Number of patents registered in the areas covered, in particular trend over time (3).

Monitoring system

To be defined in the identification phase.

V.2. Priority 2: Deepening Mercosur and implementing the future Association Agreement

By 2010 a second programme will be defined under Priority 2 — ‘Support for deepening Mercosur and implementing the future EU-Mercosur Association Agreement’ — with a Community contribution of €15 m.

The financing agreement for the first phase entitled ‘Support for deepening economic integration and sustainable development of Mercosur (ECONORMAS MERCOSUR)’ was signed in December 2009 with the objective of stronger integration of Mercosur, among other things by deepening its customs union and sustainable development of the region, by promoting practices for sustainable production and consumption, environmental protection and health, and by increasing trade with the aid of convergence of technical regulations and conformity assessment procedures. This covers two of the three categories of action envisaged in the RSP: market integration and production on the one hand and environmental protection on the other.

The second phase will cover the third category — food safety and hygiene — and could include activities additional and/or complementary to the other two notably in the field of adaptation and mitigation to climate change. The field of food safety is a priority confirmed by Mercosur.

Due to delays in the first phase, the evaluation of ‘ECONORMAS MERCOSUR’ will not be available when this project is defined. However, definition of this project will draw on the experience gained from implementation and the lessons learned from the evaluations of the ‘Harmonisation of veterinary and phytosanitary standards and procedures, food safety and differentiated agricultural production (SPS)’ and ‘BIOTECH’, projects which will begin in 2010.

Overall objective

To create a food safety and hygiene system and a phytosanitary area in the Mercosur region.

Specific objective

To contribute to establishing a single Mercosur phytosanitary standard, with special emphasis on agriculture. The Action Plan should also address obstacles to implementation of the future EU-

Mercosur AA in this area and cover various aspects: plant health control, qualified institutions for hygiene control, product registration, inspection and certification of products exported and imported, etc.

Activities

Activities consistent with the specific objective and the overall EU contribution will be decided in the project identification phase.

Expected results

1. Existence and coverage of Mercosur legislation in this area.
2. Existence of common policies in key sectors.
3. The relevant institutions should be strengthened.
4. Food hygiene control systems should be improved, thereby enhancing consumer protection.

Indicative indicators

- Existing Mercosur legislation in this area is applied (result 1).
- Number of key elements for common policies and standards for food hygiene in Mercosur established (result 2).
- Capacity acquired to draft legislation compatible with international food safety standards (result 3).
- Mercosur control and early-warning systems consolidated and harmonised (result 4).
- Number and quality of food hygiene controls in the region, by sector (4).

External factors, assumptions and risks

The main external factor is the state of the economy. Another risk is slow internalisation of Mercosur norms in its Member States.

Monitoring system

To be defined in the identification phase.

Annexes

1. Summary table for the region (1A Economic indicators, 1B MDG indicators)
2. EU-Mercosur trade statistics
3. Summary table of focal areas and financial breakdown
4. Focal sectors of Mercosur member countries
5. Donors' Matrix
6. Description of the MTR document drafting process
7. Regional Migration Profile
8. Abbreviations

Annex 1A — Mercosur economic indicators

1	Population (millions)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	38.6	3.3	184.2	5.9
	2006	39.0	3.3	186.8	6.0
	2007(e)	39.4	3.3	189.3	6.1
	2008(e)	39.7	3.3	191.9	6.2
	2009(e)	40.1	3.3	194.4	6.4
	2010(f)	40.5	3.4	196.8	6.5
	2011(f)	40.9	3.4	199.3	6.6
	<i>source: EIU Country Reports January 2010</i>				

2	Real GDP (annual change in %)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	9.2	6.6	3.1	2.9
	2006	8.5	4.6	3.9	4.3
	2007	8.7	7.6	5.6	6.8
	2008(a)	6.8	8.9	5.1	5.8
	2009(e)	0.6	0.5	-0.3	-2.0
	2010(f)	2.8	3.0	4.8	4.0
	2011(f)	2.5	3.0	4.5	3.7
	<i>source: EIU Country Reports January 2010</i>				

3	Exports of goods and services in GDP (% of real change)*				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	13.5	16.3	9.4	5.5
	2006	7.3	2.7	5	14.6
	2007	9.1	8.2	6.8	9.6
	2008	1.2	10.5	-0.8	11.6
	2009(e)	-7.3	1.2	-12	-8
	2010(f)	10.3	4.9	5.5	6.7
	2011(f)	6	5.2	6	5.3
	<i>source: EIU Country Reports January 2010</i>				
	Imports of goods and services in GDP (% of real change)*				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	20.1	10.8	8.4	11.3
	2006	15.4	14.8	18.3	16.5
	2007	20.5	6.7	19.8	10.8
	2008	14.1	19.9	18	18
	2009(e)	-19.7	-12	-8.8	-10.2
	2010(f)	14.9	5.5	13.2	6.4
	2011(f)	8.7	6.4	10.2	7.2
	<i>source: EIU Country Reports January 2010</i>				

4	Trade balance (US\$ m)*				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	13,086	21	44,703	-463
	2006	13,957	-499	46,457	-621
	2007	13,457	-545	40,032	-557
	2008	15,464	-1,716	24,836	-1,040
	2009(e)	18,341	-274	26,857	-580
	2010(f)	15,891	-908	7,524	-839
	2011(f)	12,219	-897	-9	-927
	<i>source: EIU Country Reports January 2010</i>				

5	Current account balance (US\$ m)*				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	5,275	42	13,985	16
	2006	7,768	-392	13,643	128
	2007	7,384	-220	1,551	165
	2008	7,077	-1,484	-28,192	-345
	2009(e)	11,811	127	-14,936	-178
	2010(f)	8,643	-458	-41,173	-336
	2011(f)	4,005	-615	-56,374	-294
	(% of GDP)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2008	2.2	-4.6	-1.8	-2.2
	2009(e)	3.7	0.4	-1	-1.3
	2010(f)	2.6	-1.2	-2.2	-2.2
	2011(f)	1.2	-1.7	-2.9	-1.8
	<i>source: EIU Country Reports January 2010</i>				

6	Net foreign direct investment (US\$ m)*				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	3,954	811	12,550	47
	2006	3,099	1,495	-9,380	167
	2007	4,969	1,139	27,518	178
	2008	7,502	2,049	24,601	311
	2009(e)	n/a	n/a	n/a	n/a
	2010(f)	n/a	n/a	n/a	n/a
	2011(f)	n/a	n/a	n/a	n/a
	<i>source: CEPAL Estudio económico de América Latina y el Caribe • 2008-2009</i>				

7	External debt stock (US\$ B)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	125.0	14.5	187.4	3.2
	2006	115.9	11.2	193.5	3.4
	2007	127.8	12.4	237.5	3.6
	2008€	126.0	12.4	238.2	3.3
	2009€	117.3	12.6	234.9	3.3
	2010(f)	120.4	12.6	255.7	3.6
	2011(f)	122.4	11.9	273.1	3.9
<i>source: EIU Country Reports January 2010</i>					

8	Debt service paid (US\$ m)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	10,465	2,199	78,218	476
	2006	18,896	3,163	62,145	421
	2007	9,524	1,487	55,319	435
	2008	13,985	1,857	64,404	408
	2009(e)	10,188	1,332	54,234	404
	2010(f)	10,409	1,640	50,479	401
	2011(f)	12,004	2,179	55,934	411
<i>source: EIU Country Reports January 2010</i>					

9	Fiscal revenue (in % of GDP)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	16.7	20.9	22.7	34.8
	2006	17.2	21.2	22.9	34.6
	2007	18.2	20.3	23.8	32.8
	2008(a)	19.3	19.4	24.7	33.1
	2009(e)	n/a	n/a	n/a	n/a
	2010(f)	n/a	n/a	n/a	n/a
	2011(f)	n/a	n/a	n/a	n/a
<i>source: CEPAL Estudio económico de América Latina y el Caribe • 2008-2009</i>					

10	Expenditure (in % of GDP)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	16.3	22.4	26.3	33.3
	2006	16.2	22.1	25.7	32.3
	2007	17.5	21.8	25.7	29.9
	2008(a)	18.8	20.4	25.6	29.6
	2009(e)	n/a	n/a	n/a	n/a
	2010(f)	n/a	n/a	n/a	n/a
	2011(f)	n/a	n/a	n/a	n/a
of which: capital expenditure (in % of GDP)					
<i>source: CEPAL Estudio económico de América Latina y el Caribe • 2008-2009</i>					

11	Primary deficit (in % of GDP)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	n/a	-0.7	-3.4	0.6
	2006	n/a	-0.6	-3.5	0.1
	2007	n/a	0	-2.5	0.9
	2008(a)	n/a	-0.3	-2.0	2.6
	2009(e)	n/a	-0.1	-3.2	-0.7
	2010(f)	n/a	n/a	-1.3	n/a
	2011(f)	n/a	n/a	n/a	n/a
	<i>source: IMF</i>				

12	Net public debt (% of GDP) (*Uruguay and Chile gross)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	72.8	79.2	46.7	37
	2006	63.6	69.6	45	28
	2007	55.7	61.7	42	22.4
	2008(e)	48.6	59.8	38.8	19.9
	2009(e)	47.2	51.9	45.3	21.1
	2010(f)	48.2	54.4	46.3	21.6
	2011(f)	48.4	55.4	44.3	21.7
	<i>source: EIU Country Reports January 2010</i>				

13	Consumer price inflation (annual average change in %)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005				
	2006				
	2007				
	2008	7.2	9.2	5.9	7.5
	2009(e)	7.6	5.9	4.2	2.0
	2010(f)	8.0	7.2	4.5	5.7
	2011(f)	8.7	6.8	4.3	5.6
	<i>source: EIU Country Reports January 2010</i>				

14	Unemployment (in % of labour force, ILO definition)				
	Year	Argentina	Uruguay	Brazil	Paraguay
	2005	11.6	12.2	9.8	5.8
	2006	10.2	10.9	10.0	6.7
	2007	8.5	9.2	9.3	5.6
	2008	7.9	7.6	7.9	5.4
	2009(e)	8.8	7.6	7.8	7.9
	2010(f)	9.0	7.5	7.1	7.6
	2011(f)	8.5	7.2	7.0	6.9
	<i>source: EIU Country Reports January 2010</i>				

Annex 1B: MDG indicators (source: UN website <http://www.un.org/millenniumgoals/> unless otherwise indicated)

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Proportion of population below 1\$/day in PPP (1.A)	Argentina				9.9		4.5				
	Uruguay		2.0				2.0	2.0			
	Brazil	15.5		11.0	9.8	10.4	7.8		5.2		
	Paraguay	5.9			17.2		9.3		6.5		

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Prevalence of underweight children under five years of age (1.C)	Argentina							3.8			
	Uruguay				4.9						
	Brazil					4.6					
	Paraguay	3.7		4.6			4.2				

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Net enrolment rate in primary education (2.A)	Argentina					99.5	99.1	99.0			
	Uruguay						97.6	100.0	97.6		
	Brazil		92.5	94.5	93.0	91.5	95.6		93.5		
	Paraguay						94.9				

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Literacy rate of 15-24 year-olds, women and men (2.A)	Argentina			98.9					99.1		
	Uruguay							98.7	98.8		
	Brazil		94.2					97.6	97.8		
	Paraguay								96.4		

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Ratios of girls to boys in primary, secondary and tertiary education (3.A)	Argentina		0.98	0.99	0.99	0.99	0.99				
	Uruguay		0.98	0.98	0.98	0.98	0.98	0.97	0.97		
	Brazil		0.94	0.95	0.95	0.95	0.94		0.93		
	Paraguay		0.96	0.96	0.96	0.97	0.97				

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Proportion of pupils starting grade 1 who reach last grade of primary education (2.A)	Argentina		90.9	89.9	80.9	95.7	94.5				
	Uruguay		86.6	92.1	87	89.6	92.4	93.7			
	Brazil		79.9	84.4	83.5	80.5					
	Paraguay		72.6	63.6	76.5	76.5					

		1990	2000	2001	2002	2003	2005	2006	2007	2008	2015
Under-five mortality rate (x1000) (4.A)	Argentina	29	21				18		16		
	Uruguay *(World Bank)	25	17				15			14	
	Brazil	58	32				24		22		
	Paraguay	41	33				30		29		

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Proportion of 1 year-old children immunised against measles (4.A)	Argentina	93	91	89	96	97	99	97	99		
	Uruguay	97	89	94	95	95	95	94	96		
	Brazil	78	99	99	97	99	99	99	99		
	Paraguay	69	92	90	86	91	90	88	80		

		1990	2000	2001	2002	2003	2005	2006	2008	2010	2015
HIV prevalence amongst women aged 15-24 years (6)	Argentina						0.3		0.3		
	Uruguay						0.3		0.3		
	Brazil						0.6		0.6		
	Paraguay						0.3		0.3		
<i>source: WB World Development indicators September 2009</i>											

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Proportion of population using an improved drinking water source (7.C)	Argentina	94	96					96			
	Uruguay	100	100					100			
	Brazil	83	89					91			
	Paraguay	52	69					77			

		1990	2000	2001	2002	2003	2005	2006	2007	2010	2015
Cellular subscribers per 100 population (8.F.)	Argentina	0.0	17.6	18.1	17.5	20.6	57.2	80.5	102.2		
	Uruguay	0.0	12.3	15.5	15.1	14.6	33.4	66.8	90.0		
	Brazil		13.3	16.3	19.5	25.6	46.3	52.9	63.1		
	Paraguay		15.0	20.5	29.0	30.1	30.6	51.3	76.6		

		1980	1990	1995	2000	2005	2006	2007	2008	2010	2015
Human Development Index	Argentina	0.793	0.804	0.824	n/a	0.855	0.861	0.866			
	Uruguay	0.776	0.802	0.817	0.837	0.855	0.860	0.865			
	Brazil	0.685	0.710	0.734	0.790	0.805	0.808	0.813			
	Paraguay	0.677	0.711	0.726	0.737	0.754	0.757	0.761			
<i>source: Human Development Report for Mercosur 2009</i>											

Annex 2: EU-Mercosur trade statistics

	2005 import	2005 export	2006 import	2006 export	2007 import	2007 export	2008 import	2008 export	2009 import	2009 export
EU-Brazil	24,117,764	16,063,259	27,234,097	17,738,221	32,804,897	21,300,358	35,853,916	26,348,787	25,597,305	21,569,972
EU-Argentina	6,475,349	4,053,347	7,370,700	4,881,607	8,531,635	5,992,255	10,622,182	6,091,289	8,183,208	4,752,930
EU-Uruguay	618,665	453,317	707,166	813,190	799,734	682,498	1,147,530	746,452	930,014	678,768
EU-Paraguay	269,774	170,300	299,461	175,426	425,734	224,448	489,550	299,077	360,006	234,600
EU-Mercosur	31,481,552	20,740,222	35,611,424	23,608,443	42,562,000	28,199,559	48,113,178	33,485,605	35,070,534	27,236,270

Annex 3: Summary table of focal areas and financial breakdown

MULTIANNUAL PROGRAMMING 2007-2013 (initially €50 m, €4 m were returned to the budget)

	<i>Funds programmed</i>	<i>Funds committed</i>	<i>Funds programmed</i>			Total €n programmed <u>2011-2013</u>	Total €n 2007-2013
	2007-2010	2007-2010	2011	2012	2013		
PM Reminders from 2002-206 programmes Education + Information Society	€10 m	€10 m	---	---	---	---	€10 m
1. Support for Mercosur institutions	€2 m (funds returned to budget)		---	---	---	---	---
2. Support for deepening Mercosur with a view to an AA	€12 m	€12 m	€5 m	€5 m	€5 m	€15 m	€27 m
3. Support for Mercosur civil society	€9 m (€2 m returned to budget)	€7 m	---	---	---		€7 m
4. Bio-Tech (to replace institutional support)			---	---	€2 m	€2 m	€2 m
Total		€29 m				€17 m	€46 m

Annex 4

Focal sectors of Mercosur Member countries

	I	II	III
Argentina	Economic competitiveness — €13 m	Strengthening bilateral relations and mutual understanding — €10,4 m	
Brazil	Enhancing bilateral relations — €14,945 m	Promoting the environmental dimension of sustainable development — €6,405 m	
Paraguay	Appui au secteur de l'éducation — €35 m	Appui à l'intégration économique du Paraguay — €8 m	Aide ciblée à la lutte contre la pauvreté — €20 m
Uruguay	Cohésion sociale et territoriale — €6,5 m	Recherche et développement (R&D) + innovation — €4,5 m	Justice (appui à la réforme du code pénal et du système pénal, mesures pour améliorer les conditions de vie des prisonniers et leur réinsertion) — €5 m

Annex 5: Donors' Matrix

Donor table (projects ongoing or in preparation in 2008-2009)

SECTORS	EC	IDB	Germany (GTZ)	Italy	Spain	Japan (JICA)	Others
110 — Education	Higher Education — Mobility: 3 MEUR (2008-2012) Education II: 6.77 MEUR (in preparation)	Accreditation and recognition of university titles in Mercosur, VEN, BOL y Chile: 0,53 M\$ (2008-)		Mercosur Training Institute — High-level training courses phase II: 0,72 MEUR (2008-2009)			
120 — Health					SGT-11 Mercosur Health Systems Observatory (2009-2011) + one project in preparation		
150 — Government and civil society (Mercosur institutions)	Support for establishment of the Mercosur Parliament: 0,9 MEUR (2006-2009) Statistics harmonisation phase II: 2 MEUR (2006-2011) Harmonisation of Mercosur macroeconomic indicators: 7,1 MEUR (2007-2010)	Mobility of judges, law students, professors and researchers: 0,15 M\$ (2007-2008) Technical support for the Mercosur Trade Commission: 0,15 M\$ (2007-) Support for the Mercosur Parliament on training opinion-makers: 0,1 M\$ (2007-) Single base for social security Mercosur: 1,3 M\$ (2005-)			Strengthening of the gender perspective — Specialised Women's Meeting (2009-2011) REM — Specialised Women's Meeting: Strengthening of the gender perspective: <1 MEUR (2009-)		
160 — Other social services and infrastructure (culture)	Mercosur audiovisual programme: 1,5 MEUR (2009-2011)						

SECTORS	EC	IDB	Germany (GTZ)	Italy	Spain	Japan (JICA)	Others
210 — Transport		Widening of the MERCOSUR corridor: Florianópolis-Osório road: 100 M\$ loan (2008-)					
220 — Communications (ICT)	Information Society — Mercosur Digital				Gender equality in agriculture (2009-2011)		
230 — Energy					Productive integration (2009-2010)	Better energy use training (Oct 2009)	
311 — Agriculture (Livestock)		Eradication of the Barrenador worm: 1 M\$ (2008-) Foot-and-mouth-disease free Mercosur action programme: 0,15 M\$ (2006-2009)			REAF — Gender equality in agriculture; <1 MEUR (2009-)	Seminar on food safety (Oct 2008)) 2nd Regional seminar on food safety (Dec 2009)	
321 — Industry	Biotechnology: 6 MEUR (2005-2011) RTD FP 6 and 7 Bilateral agreements with AR and BR				GIP — Productive integration: <1 MEUR (2009-)	Course on SME management (in preparation)	
331 — Trade policy	Sanitary and phytosanitary norms and procedures: 6 MEUR (2006-2011)	Updating of basic information and procedures/Commercial convergence: 0,15 M\$ (2008-) Evaluation of the distributive impact of commercial reforms in Mercosur: 0.045 M\$ (2007) Facilitation of EU-Mercosur trade: 0.1 M\$ (2007-2008) Support for international trade liberalisation and integration processes: 3,4 M\$ (2006-) Institutional strengthening of Mercosur and consolidation of the regional market: 0,5 M\$ (2005-2009) Consolidation of the CPRM Presidency: 0,075 M\$ (2004-08)			Border Integration Forum of Mercosur Cities, Departments, Provinces and Regions (2009-2011) Promotion of cooperative movements (2009-2011) Environment Portal — Specialised Envi Meeting (2009-2011)	Seminar 'Paraguay and Mercosur' (March 2009)	

SECTORS	EC	IDB	Germany (GTZ)	Italy	Spain	Japan (JICA)	Others
332 — Tourism						Mercosur tourism promotion (Tokyo office): 3,5 M\$ (2005-2008?) Mercosur Tourism Promotion Fund: 371M¥ (in preparation)	
410 — General environmental protection					SGT-6: Mercosur environmental information system: <1 MEUR (2009-)	Seminar 'Adaptation to Climate Change' (Feb 2009)	
430 — Other multisector	Economas: 12 MEUR (2009-2014)		Strengthening of Mercosur regional integration (under discussion)		FCCR Consultative Forum of Mercosur Cities, Departments, Provinces and Regions — Border Integration: <1 MEUR (2009-) RECM — Promotion of cooperative movements: <1 MEUR (2009-)		<u>Korea</u> : technical cooperation seminar under discussion

Annex 6: Description of the MTR document drafting process (political dialogue with the partner country, involvement of non-State actors, local authorities and parliament, coordination and complementarity with other donors)

The Regional Strategy Paper European Union — Mercosur, drafted in 2005-2006 for the period 2007-2013 establishes a program of cooperation over 6 years, divided into two periods: 2007-2010 and from 2011 to 2013. A mid-term review of the program was completed between 2009 and early 2010, to take into account the changing circumstances in both regions and their relations.

The process leading to the identification of priorities for development cooperation combines various interlocutors within Mercosur countries and within the EU: Representatives of Governments, local authorities, the legislature and civil society, who are consulted at various stages of drafting the document.

The Governments of Mercosur Member countries, represented by their Ministers of Foreign Affairs, meeting within the Grupo Mercado Común (GMC — Mercosur’s executive decision-making body) were associated with the definition of the strategy document informally in late 2008 and formally at the political dialogue meeting organised by the Paraguayan Pro-Tempore Presidency of MERCOSUR in Asunción, in February 2009. The agreement on the definition of priorities was required in writing by the European Commission to the GMC in April 2009. Mercosur replied in December 2009.

The Members of the Parliament of Mercosur (ParlaSUR) have been consulted by representatives of the Governments of Mercosur’s Member countries and by the European Commission — especially at meetings organised by the Delegation of Montevideo with the Presidents of Parliamentary Groups.

A study of Mercosur civil society and non-state actors was carried out in the first half of 2009, and various consultation meetings were held in the capitals of the 4 countries of Mercosur in 2009 and 2010 to obtain feedback from representatives of civil society³² on the cooperation activities under way and those planned for the period 2011-2013.

Mercosur coordinates external support to its program by different partners via the quarterly meetings of the ‘Comité de Cooperación Técnica’ (CCT) and through bilateral meetings. Mercosur receive support from Germany, Spain, Italy, Japan and the IDB. At local level, enhanced coordination at EU level is ensured by the EU Delegation. In order to ensure consistency and enhanced impact, the EC coordinates the joint participation of the EU, as the European bloc, in the meetings of the CTC.

All European Union Member States — including those that do not directly contribute to cooperation with Mercosur — have been consulted on several occasions on the priorities of the Program of Cooperation with Mercosur for the period 2011-2013 with a view to soliciting their views and seek synergies with the various cooperation programs underway or planned at national level.

A Region Team Meeting took place on 26 March 2010 and all DGs were invited to send a representative. Some 10 DGs attended the meeting and a few others sent comments by email. Comments expressed by colleagues were duly taken into account.

The MTR document underwent the exam of the iQSG on 14 April. All suggestions made by the group were constructive and useful and duly taken into account.

³² Local authorities, NGOs, universities and research centres, business, etc.

Annex7: Regional Migration Profile

The Southern Cone region is an extremely important source for international migration and a growing destination for intraregional migration as it accounts for over 12% of all international migrants worldwide. According to data obtained from the World Bank, there was a significant increase in the remittance volume sent by South American emigrants in the period 2001-2007³³.

Migration has increasingly gained greater priority on the agendas of the Southern Cone countries. Regarding migration policies, in the last years, fundamental advances have been registered, centred on the approval of new legal norms and the signature of bilateral and multilateral agreements based on the international human rights instrument. In recent years, there have been some government initiatives aimed at harmonising and integrating the basis of migration dynamics, especially in the areas of migration and protection laws, refugee status recognition and trafficking in persons. It is worth mentioning the initiatives undertaken within Mercosur in order to facilitate the regularisation of irregular resident immigrants from its member countries, coupled with legislation aimed at promoting the integration of immigrants in the receiving country.

According to the International Organisation for Migrations, a considerable percentage of contemporary migration in the Southern Cone countries is caused by the lack of employment, the poor and inadequate hiring terms and the absence of potential improvements regarding employment and labour income in these countries. Qualified migration from some Southern Cone countries to countries within or outside the region has significantly grown in recent years.

The crime of trafficking in persons has grown and represents a major concern for national governments. In the region, Paraguay, for instance, has been identified as a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation primarily to Argentina, Brazil, Bolivia, Spain, and Italy. Furthermore, domestic servitude of adults and children is a serious problem. Trafficking of Paraguayan and Brazilian women, girls, and increasingly boys for sexual exploitation remains a problem in the Brazil-Paraguay- Argentina tri-border area. During the last years, national governments in the region have made important advances in addressing trafficking issues, but there is still much to do. In this sense, prevention and public awareness are vital.

The U.S. continues to host the highest number of Southern Cone migrants. Besides that, the flows of migrants from Southern Cone towards Europe (particularly Spain, Portugal, Italy and UK), as well as to Japan and Canada, have risen in the last decades.

Brazil used to be a country that received immigrants from around the world. In recent years, however, an increasing number of Brazilians are leaving the country. The Brazilian Ministry of Foreign Affairs estimates that at least three million Brazilian are living abroad (DAC/MRE-Brazil, 2008).

Migration flows from Paraguay have also increased, with a simultaneous diversification of the destinations. Historically, the main destination countries were bordering countries, but recently increased migration to European countries has been observed.

Emigration, especially of highly qualified and young people, represents a structural phenomenon in Uruguay. It should be underlined that a very high percentage (13%) of Uruguay's population live abroad. Chile, on the other hand, has become a magnet for intra-regional migration.

³³ World Bank, Migration and Remittances Fact book 2007.

Annex 8: Abbreviations

AA	Association Agreement	IFIs	International Financial Institutions
AAP	Annual Action Plan	IMF	International Monetary Fund
ALBA	Alternativa Bolivariana para la América	INDEC	Instituto Nacional de Estadística y Censos
AOR	Annual Operational Review	LA	Latin America
ASEAN	Association of Southeast Asian Nations	LAIF	Latin America Investment Facility
CMC	Consejo del Mercado Común (Common Market Council)	MDGs	Millennium Development Goals
CSP	Country Strategy Paper	MERCOSUR	Mercado Común del Sur
DCI	Development Cooperation Instrument	MoU	Memorandum of Understanding
DDA	Doha Development Agenda	NGOs	Non-Governmental Organisations
ECB	European Central Bank	NIP	National Indicative Programme
ECLAC	Economic Commission for Latin America and the Caribbean	ODM	Observatorio de la Democracia del Mercosur
EIB	European Investments Bank	OECD	Organisation for Economic Cooperation and Development
EIU	Economist Intelligence Unit	R&D	Research and Development
EPI	Environmental Performance Index	RIP	Regional Indicative Programme
FA	Financing Agreement	RSP	Regional Strategy Paper
FDI	Foreign Direct Investment	SACU	Southern Africa Customs Union
FOCEM	Fondo para la Convergencia Estructural del MERCOSUR	SMEs	Small and Medium-sized Enterprises
FTA	Free Trade Agreement	SOM	Senior Officials Meeting
GCC	Gulf Cooperation Council	UNASUR	Unión de Naciones Suramericanas
GDI	Gender-related Development Index	UNDP	United Nations Development Program
GDP	Gross Domestic Product	UNFCCC	UN Framework Convention on Climate Change
GEM	Gender Empowerment Measure		
GMC	Grupo Mercado Común (Common Market Group)		
HDI	Human Development Index		
HDR	Human Development Report		
IDB	Inter-American Development Bank		