COMMISSION DECISION

on the Annual Action Programme 2007 in favour of the Andean Community for an institutional support to the General Secretariat of the Andean Community to be financed under Article 19 09 01 of the general budget of the European Communities

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation\(^1\), and in particular Articles six and twenty two thereof,


Whereas:

(1) The Commission has adopted the Regional Strategy Paper for the Andean Community and the Multiannual Indicative Programme for the period 2007-2010\(^3\), point 6.1.2, 6.2.2 and 6.3.2, which indicates the priority of strengthening the institutional capacity of the Andean Community, in particular of its General Secretariat.

(2) The objectives pursued by the Annual Action Programme are to strengthen the present and future institutional capacity of the General Secretariat of the Andean Community to manage international co-operation, with special emphasis on European co-operation with a view to contributing to the regional integration of the Andean Community Member Countries through programmes implemented with international co-operation resources, in both the economy and trade and in other complementary areas, like environment, drugs control, common foreign policy, and the struggle against poverty and social inequality, among others.

(3) This decision constitutes a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No1995/2006\(^4\), Article 90 of Commission

\(^1\) OJ L 378, 18.12.2006, p.41
\(^2\) OJ L 390, 30.12.2006 p. 1
\(^3\) C(2007) 1555, 12.04.2007
\(^4\) OJ L 390, 30.12.2006 p. 1

(4) It is appropriate to define the term “substantial change” in the meaning of Article 90 (4) Commission Regulation No 478/2007 of 23 April 2007, amending Commission Regulation No 2342/2002 for the application of this decision.

(5) The measures provided for in this decision are in accordance with the opinion of the DCI Committee set up under Article 35 of Regulation (EEC) No 1905/2006,

HAS DECIDED AS FOLLOWS:

**Article 1**

The action “Institutional Strengthening of the General Secretariat of the Andean Community's Technical Co-operation Unit” – ALA/2006/18-729, which constitutes part of the Annual Action Programme in favour of the Andean Community for strengthening its institutional capacity, the text of which is set out in the Annex, is approved.

**Article 2**

The maximum contribution of the Community is set at EUR 730 800 to be financed from budget line 19 09 01 of the general budget of the European Communities for 2007.

**Article 3**

Within the maximum indicative budget of the specific action adopted in 2007, cumulated changes not exceeding 20% of the maximum contribution of the Community, are not considered to be substantial provided that they do not significantly affect the nature and objectives of the Annual Action Programme.

The authorising officer may adopt such changes in accordance with the principles of sound financial management.

Done at Brussels,

*For the Commission*

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5 OJ L 111, 28.04.2007 p.1
ANNEX

ACTION FICHE FOR THE ANDEAN COMMUNITY

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>“Institutional Strengthening of the General Secretariat of the Andean Community’s Technical Co-operation Unit” – ALA/2006/18-729</th>
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<td>EC</td>
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<td>Project approach – decentralised</td>
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<td>15140</td>
</tr>
<tr>
<td>Sector</td>
<td>Government and Civil Society</td>
</tr>
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</table>

2. RATIONALE

2.1. Sector context

The participation of the Andean Community countries in the world economy and in international trade has passed through different stages that have involved radical changes in the orientation of regional policies. The sub-region is facing major challenges today, such as the creation of the South American Community of Nations, Chile’s participation as an Associate Member of the Andean Community, Mexico’s interest in adopting a political dialogue and co-operation mechanism, and the steps towards negotiating an Association Agreement with the European Union - all of which will require a profound process of reflection and the defining of consensuses so that Andean integration will be able to take effective advantage of the opportunities offered by this new context and bring them into line with the national objectives of improving the welfare of the Andean peoples.

Although the Andean agenda is expected to grow in response to the new challenges, the budget allocation of the General Secretariat of the Andean Community (CAN GS) does not reflect such expectation. CAN GS will have to continue fulfilling the implementation of CAN policies with a budget that has been severely reduced by Venezuela’s departure from the Andean Community.

International co-operation will have a key role to play in this context, in supporting the fulfilment of Andean integration objectives, particularly in areas that are not attractive to private investment and in which the joint action of the CAN Member Countries contributes an added value to national efforts.

Nonetheless, in order to manage the new amounts, sources and forms of international co-operation, it will be necessary to develop an institutional capacity that will effectively meet the co-operation requirements and the timeframes demanded for the fulfilment of targets of each one of the projects. The CAN GS’s human, technical and financial resources presently
available are insufficient for this purpose, considering the co-operation envisaged for the 2007-2010 period.

Therefore, given the importance of international co-operation concurring to the priorities of the Andean integration process and the prospect of having access to new sources, modalities and amounts in the context of co-operation actions within the next three years, justifies the need to strengthen the capacities of the co-operation management unit within the General Secretariat of the Andean Community, as the executor of CAN policies and guidelines.

2.2. Lessons learnt

- The effectiveness of international co-operation depends not only on the appropriate prioritizing of Andean integration needs, but also on other practical factors, such as: correct project formulation, including a greater involvement of the beneficiaries in their design; close and regular monitoring of progress; the definition of impact evaluation indicators; grasping the mechanisms to facilitate the fulfilment of administrative requirements and the implementation of international standards for resource management.
- The EU co-operation corresponding to the RIP 2002-2006 (excluding projects already concluded) includes a financial contribution to 29.1 million euro, of which 33% are projects that have not yet been launched because of difficulties in their formulation, in the co-ordination with final beneficiaries to reach consensus or with the financial capacity to meet counterpart demands.
- Some of the projects being implemented have experienced problems in complying with the deadlines of their operational phase due to a different pace from that planned in the administrative and tendering procedures.
- The above-cited factors appear to indicate the need for technical assistance for the strengthening and training of the Andean Community General Secretariat Technical Co-operation Unit, in order to bring the planned projects of the RIP 2002-2006, and those that will be implemented within the framework of the RIP 2007-2010, to a successful conclusion. Furthermore, this learning process will be essential for the management of co-operation projects funded by other international sources.

2.3. Complementary actions

In order to fulfil Andean integration objectives, the support of other international co-operation sources will be obtained, in addition to European co-operation. This co-operation will come from a variety of bilateral sources, like the Spanish International Co-operation Agency (AECI), the Government of Finland, the Government of France, and the United States Agency for International Development (USAID); regional sources like the Andean Development Corporation (CAF); and multilateral sources like the Inter-American Development Bank (IDB), the World Bank (WB) and the United Nations Development Programme (UNDP), among others. The Andean Community General Secretariat will be responsible for managing and monitoring such resources from the international co-operation.

2.4. Donor coordination

The Andean Committee of Heads of International Co-operation Agencies (CATOCI) will serve as an important instrument for coordinating co-operation among the various sources and ensuring the consistency and complementarity of national and regional projects.
The project proposal was coordinated with several European co-operating partners; the Spanish, Finnish and French have stressed the project’s importance for the implementation of their co-operation, as well.

3. **DESCRIPTION**

3.1. **Objectives**

**Overall objective**

Contributing to the regional integration of the Andean Community Member Countries through programmes implemented with international co-operation resources, in both the economy and trade and in other complementary areas, like environment, drugs control, common foreign policy, and the struggle against poverty and social inequality, among others.

**Specific objective**

Strengthening the present and future institutional capacity of the General Secretariat of the Andean Community to manage international co-operation, with special emphasis on European co-operation. The project will serve to efficiently organize the management of projects financed by the European Union within the General Secretariat of the Andean Community through administrative management and, in some specific cases, assuring the direction of projects.

3.2. **Expected results and main activities**

3.2.1 **Expected results**

*R1. Institutional capacity:* The Andean Community General Secretariat has a team that is specialized in international co-operation management, with the capacity to propose projects that are closely linked to Andean integration priorities, to evaluate their impact and to establish links with new financing sources. Regional co-operation project management within the CAN GS is streamlined and serves as the only one stop shop for several regional co-operation projects.

*R2. Regulations and procedures:* The Andean Community General Secretariat holds an institutional structure with sound internal regulations, including (a) manual(s) for the management of financial resources in order to facilitate the implementation of international co-operation projects and the capacity for timely resource absorption.

*R3. Coordination with Member Countries:* Mechanisms for coordination between the General Secretariat and the Member Countries of the CAN are set allowing for appropriate and better use of international co-operation resources.

3.2.2 **Activities**

*Regarding R1. Institutional Capacity:*

A1.1: Establishment of a team with capacity for assuring the direction of international and regional co-operation projects.
A1.2: Definition of international co-operation requirements to respond to the Andean integration priorities.

A1.3: Surveying sources and objectives of international co-operation sources, as well as their compatibility with Andean integration co-operation requirements, and keeping the international co-operation projects databank up to date.

A1.4: Systematic organization of management of international co-operation projects. Planning and monitoring of the international co-operation projects in their various stages, namely formulation, implementation and evaluation of results.

A1.5: Training of the Andean Community General Secretariat staff in matters relating to management of international co-operation projects.

A1.6: Preparation and publication of periodic reports on the management of the Andean Community General Secretariat's Technical Co-operation Programme.

Regarding R2. Regulations and procedures:

A2.1: Adjustment of the existing procedures, operating mechanisms and administrative standards concerning applications for co-operation, procurement and contracting in order to meet the international technical co-operation requirements.

A2.2: Training of the Andean Community General Secretariat and Co-operation projects staff in subjects relating to the operating mechanisms and administrative standards of international co-operation.

A2.3: Systematic organization and regular registration of projects implemented with international co-operation.

A2.4: Adjustment of the projects' accounting system, namely applying the double entry system.

Regarding R3. Coordination with the Member Countries:

A3.1: Adjustment of the mechanisms for channelling applications for co-operation and development of a CAN strategy for promotion and dissemination in the Member Countries, with a view to meeting the requirements for international co-operation.

A3.2: Development and maintenance of a data base on national co-operation projects in each of the CAN Member Countries, in order to seek for harmonization and consistency with resources requested at sub-regional level.


3.3. Stakeholders

The direct beneficiary will be the General Secretariat of the Andean Community (CAN GS), which is responsible for implementing the project. Public and private institutions of the CAN
Member Countries receiving international co-operation channelled via the CAN GS will also benefit indirectly.

The inhabitants of the Andean countries as a whole will benefit indirectly from a more effective use of international co-operation resources.

The project will be appropriated mainly in two ways:

1) The CAN GS incorporates the project results in its day-to-day activities, including the practice of good management, which should be reflected in the operating manuals to be prepared in the context of the project. It will have a number of staff members in job trained in order to give follow up to the project results.

2) The organizations and institutions receiving the international co-operation will contribute to the formulation of the projects more extensively and will be better coordinated with the General Secretariat for their implementation.

3.4. Risks and assumptions

➢ The CAN Member Countries have the political will to perfect and to deepen Andean integration.
➢ The CAN Member Countries have the political will to move ahead with both the economic and trade agenda as well as with other complementary themes of Andean integration.

3.5. Crosscutting Issues

Gender equality will be considered when selecting the human resources allocated to the project. Indirectly, via the cooperation, the project shall contribute to good governance and human rights issues.

Any activity that could cause irreversible environmental damage and any undertaking that fails to respect national and international environmental protection legislation will be excluded from the sphere of action of the project.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Decentralised management through the signature of a financing agreement.

Before signing the Financing Agreement, the CAN GS guarantees the availability of the counterpart funds, as well as of the human and material resources needed to comply with the project activities.

The Beneficiary of the financing agreement (FA) is the General Secretariat of the Andean Community (CAN GS), which assumes the obligations and responsibilities deriving from that FA.

The Commission controls ex ante the contracting procedures for procurement contracts >50 000 euro and ex post for procurement contracts ≤ 50 000 euro.
Through the programme estimates, payments are decentralised for operating costs and small scale contracts up to the following ceilings:

<table>
<thead>
<tr>
<th></th>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
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<tr>
<td></td>
<td>&lt; € 300 000</td>
<td>&lt; € 150 000</td>
<td>&lt; € 200 000</td>
<td>≤ € 100 000</td>
</tr>
</tbody>
</table>

CAN GS will sign the financing agreement as Beneficiary and assume the functions reserved for it under the agreement and in particular will be responsible for the Project's implementation.

The Beneficiary will, under its own authority, set up a technical team consisting of the technical co-operation coordinator, the administrative coordinator, three project specialists, local technical assistance and local administrative personnel fully dedicated to the project's implementation.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

Indicative budget (in Euro)

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>EC</th>
<th>CAN GS</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>€</td>
<td>%</td>
<td>Amount</td>
</tr>
<tr>
<td>1. SERVICES</td>
<td>642 800</td>
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<td>148 800</td>
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<td>2. SUPPLIES (equipment)</td>
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<td>3. INFORMATION and VISIBILITY</td>
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</tr>
<tr>
<td>4. OPERATING EXPENSES</td>
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<td>5. OTHER ITEMS</td>
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<td>6. CONTINGENCIES</td>
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<td>2.46</td>
<td>13 200</td>
</tr>
<tr>
<td>7. TOTAL</td>
<td>730 800</td>
<td>100.00</td>
<td>305 000</td>
</tr>
</tbody>
</table>
The European Community funds assigned to item 6. “Contingencies” may not be used, nor may their use be foreseen, without the prior agreement of the Commission.

The financing agreement (FA) will have a duration of 42 months, comprising two phases: the 36 months operational phase and the closing phase, which will last a maximum of 6 months.

4.4. Performance monitoring

The project’s degree of progress and the fulfilment of its objectives and results will be internally regularly monitored. For this purpose, the project technical team, in close cooperation of the CAN GS, will set and apply a monitoring system in line with the CAN GS guidelines.

Independently of this, the European Commission may carry out periodic external monitoring missions that will begin once the project activities have been in effect for at least 4 months, and will conclude no later than 4 months before the end of the project’s operational implementation. Monitoring mission reports will be delivered to the CAN GS so that it can take into consideration any possible recommendations put forward by those missions.

4.5. Evaluation and audit

Mid-term and final project evaluations will be made and, possibly, an ex-post evaluation, as well. If necessary, other evaluations may be carried out during the project implementation period, by common agreement of the CAN GS and the EC. The CAN GS and the European Commission will examine the conclusions and recommendations of the evaluations and will jointly agree on their follow-up and on any adjustments that may be in order, including the project’s redirection, if necessary. The reports of the other evaluation missions and of the monitoring missions will be delivered to the CAN GS so that the possible recommendations put forward by those missions can be taken into consideration.

The CAN GS may, regardless of any legally mandated internal and external audits, periodically audit (at least once a year) all of the expenditures chargeable to the EC contribution. To that end, the CAN GS will, with the prior agreement of the European Commission, enter into contact with an external auditing firm, chargeable to the budget item "Operating Expenses". The CAN GS will also perform a final audit during the closing phase and will submit the results to the European Commission, together with the final project report. The final audit should not contain any reservations.

Besides these periodic audits for which the CAN GS is responsible, the Commission may carry out its own audit missions.

4.6. Communication and visibility

The project aims at the strengthening of the CAN GS and visibility actions are therefore limited. However, actions will be communicated via the webpage of the CAN GS and the project could participate at the visibility actions of the specific EC funded projects such as on "Disaster prevention", "Statistics", "TRTA I", "TRTA II Part 1", "TRTA II Part 2" and "Civil Society". Information material and workshops will be organised.
COMMISSION DECISION

of [...] on the Annual Action Programme 2007 in favour of the Andean Community for a Project for the Support of Economic and Social Cohesion in the Andean Community to be financed under Article 190901 of the general budget of the European Communities

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1905/2006 of 18 December 2006 establishing a financing instrument for development cooperation, and in particular Article 6 and 22 thereof,

Having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities and in particular Article 53c thereof,

Whereas:

(1) The Commission has adopted the Regional Strategy Paper for the Andean Community and the Multiannual Indicative Programme for the period 2007-2010, point 6.2, which indicates the priorities to enhance social and economic cohesion in the Andean Community.

(2) The objectives pursued by the Annual Action Programme are to enhance social and economic cohesion in the Andean Community by further developing regional policy on Social and Economic Cohesion considering territorial and environmental aspects and by financing some concrete actions in the trans-national and cross border area that demonstrate the positive impact of the integration to the Andean citizens and the added value of EC cooperation.

(3) This decision constitutes a financing decision within the meaning of Article 75(2) of Council Regulation (EC, Euratom) No 1605/2002, Article 90 of Commission Regulation No 2342/2002 of 23 December 2002 and Article 15 of the Internal Rules.

It is appropriate to define the term “substantial change” in the meaning of Article 90 (4) of Commission Regulation No 2342/2002 for the application of this decision.

The measures provided for in this decision are in accordance with the opinion of the DCI Committee set up under Article 35 of Regulation (EEC) No 1905/2006,

HAS DECIDED AS FOLLOWS:

**Article 1**

The action “Project for the Support of Economic and Social Cohesion in the Andean Community” – DCI-ALA/2007/018-993, which constitutes the Annual Action Programme in favour of the Andean Community for the focal sector on social and economic cohesion, the text of which is set out in the Annex, is approved.

**Article 2**

The maximum contribution of the Community is set at EUR 6 500 000 to be financed from budget line 19 09 01 of the general budget of the European Communities for 2007.

**Article 3**

Within the maximum indicative budget of all the specific actions adopted in 2007, cumulated changes not exceeding 20% of the maximum contribution of the Community, are not considered to be substantial provided that they do not significantly affect the nature and objectives of the Annual Action Programme.

The authorising officer may adopt such changes in accordance with the principles of sound financial management.

Done at Brussels, […]

For the Commission

[...]  
Member of the Commission
ANNEX

ACTION FICHE FOR THE ANDEAN COMMUNITY

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>&quot;Project for the Support of Economic and Social Cohesion in the Andean Community&quot; – DCI-ALA/2007/018-993</th>
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<td>DAC-code</td>
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2. RATIONALE

2.1. Sector context

While historically the Andean Community (CAN) has concentrated largely on economic integration between its member countries, social affairs have gradually been added to its agenda. One of the priorities in the ‘New Strategic Design’ which the CAN started to implement in 2004 is “development with social inclusion” with a view to greater social, economic and territorial cohesion. There is a keen interest both in having the EU promote its social model in Latin America and also in the Andean Community learning about the EU’s experience on the social front, including EU experience of promoting social cohesion through the structural funds.

One step towards strengthening this social agenda was the adoption, in September 2004, of the Andean “Integrated Social Development Plan” (PIDS). The PIDS aims at establishing a regional work programme on social cohesion based on coordination and participation of all relevant authorities, with a view to supporting the efforts made by each individual member country to combat poverty and social exclusion. While it does not yet constitute an overall strategic approach to social cohesion, it does contain potential for development of such a strategy in the future. This project will provide technical assistance to the further elaboration of the PIDS with a view to further finance activities under the Annual Action Programme 2009 (budget 6.5 million Euro). It also promotes progressive convergence towards agreed social objectives and targets with a view to attaining the Millennium Development Goals.

Furthermore, to address the regional disparities, the CAN has also announced that it intends to formulate an “Andean Strategy on Territorial Development” with a view to balanced and harmonious development of Andean regions, environmental sustainability and territorial cohesion. As part of the Territorial Development cross-border projects have been developed with support from the CAN member countries and with assistance from IADB, CAF and AECL.
The protection of the environment is of major importance both to the Andean Community and to the EU, in particular because of the very rich biodiversity which the countries of the Andean Community possess. A poor management of natural resources results in greater environmental deterioration and leads to increased health and social problems, among others. On the other hand, if sustainable managed, these resources have the potential to reinforce the economy. Efforts to address environmental concerns at CAN regional level by the Andean Community itself are being stepped up, through inclusion of the environment as a sub-sector in the PIDS and the Andean Environment Agenda for 2006-2010 adopted in November 2005 by the CAN Council of Ministers for the Environment and Sustainable Development.

2.2. Lessons learnt

The definition of actions in this project takes into consideration that the cooperation of the European Community (EC) with the CAN could play a key role in the generation of important changes in the way that regional cohesion policies are developed. This project is the first development project in the area of social cohesion, which is a new focus in the regional cooperation 2007-2013. Thus, there is no evaluation of past cooperation in this area on a regional level.

2.3. Complementary actions

The actions are complementary to those carried out by the bilateral EC cooperation in the countries of the CAN region. It is important to mention that the EC is currently financing the project CAN SOCIEDAD CIVIL, which objective is to strengthen the participation of civil society in the regional integration process of the Andean Community.

The Spanish cooperation, AECI, recently signed an agreement with the CAN that among several actions foresees some institutional strengthening, the protection and better management of the environment and the natural resources, the socio-productive development from a territorial view and the promotion of a social and labour integration. The planned support of Finland of 10 million Euro to a biodiversity project of four to six years should also be mentioned.

2.4. Donor coordination

The Andean Committee of International Cooperation (Comité Andino de Titulares de Organismos de Cooperación Internacional (CATOCI)) will fulfil a fundamental role as coordinator of the cooperation from different donors. This aims at guaranteeing the consistence and complementarities between the national and regional projects. The project proposal was coordinated with several European partners involved in cooperation.

3. OBJECTIVES

General Objective: Contribute to the improvement of the economic and social cohesion in the Andean Community.
**Specific Objective:** Contribute to the strengthening of the CAN member countries and the CAN General Secretariat (CAN GS) in the design of a regional policy of economic and social cohesion and territorial development. Contribute to the capacity of the CAN to promote trans-national and cross-border projects focusing on economic and social cohesion considering synergies with the conservation of the environment.

3.1. **Expected results and main activities**

The project's activities fulfil two purposes:

1. The institutional reinforcement to formulate and implement regional policies of economic and social cohesion (E&SC). In particular contribute to the formulation of an Andean Strategy of E&SC, based on the priorities established in the PIDS, and contribute to the further development of other regional policies in the areas of environment, territorial development and border integration and development;

2. Execute concrete actions in the trans-national and cross-border area that demonstrate the positive impact of the integration to the Andean citizens. The topics of these actions will be within E&SC and include environmental issues.

The expected results of this project are:

**Result 1: Improve the capacity to formulate and implement regional policies of E&SC**

The development of an Andean social policy has been promoted, developing a common approach in the area of E&SC that includes the reduction of poverty, social inclusion, territorial cohesion and creation of job opportunities. For the development of regional policies an Andean Centre of Excellence for Economic and Social Cohesion (Centro Andino de Excelencia de Cohesión Económica y Social (CAECES)) has been established. The CAECES promotes the dialogue between the four Andean governments and the CAN GS to formulate and implement regional policies of E&SC. A solid coordination between the different institutional actors that take part in this process on the Andean level has been articulated.

**Result 2: Promotion of the E&SC through trans-national and cross-border projects**

Trans-national and cross-border projects have been promoted to improve E&SC and territorial development, stimulating the cooperation and contacts in this sector between the countries in the Andean Community. The project will also permit the exchange of best practices in topics of E&SC at trans-national level, between regions in the four CAN countries that are not situated in border areas.

The main activities of the project are:

**Activity 1: “Improve the capacity to formulate and implement regional policies of E&SC”**

Support the four governments of the Member Countries and the CAN GS to formulate and implement regional policies of E&SC through the creation of CAECES. The CAECES will be attached to the CAN GS and directed by a supervisory board with representatives from the four CAN countries, presided by the CAN GS and with the European Commission as an observer. The establishment of the CAECES does not implicate the creation of a new institution, but rather a mechanism of policy advice with a regional character that will facilitate the coordination and formulation of common policies of economic and social cohesion between the governments.
The CAECES will among other things be responsible for:

- Strengthening the technical leadership of the CAN GS for the promotion of an Andean regional strategy of E&SC with a territorial focus and environmentally sustainable;
- Strengthening the PIDS through support to the programme of horizontal technical assistance (PACTHO - Programa andino de cooperación técnica horizontal sobre políticas sociales);
- Strengthening the social statistics and territorial statistics;
- Support the CAN GS in elaborating mechanisms to promote financing of projects in the areas of E&SC and territorial development and in raising cooperation funds;
- Support the CAN GS in the elaboration of a proposal for an ANDEAN SOCIAL FUND;
- Support the elaboration of regional strategies of E&SC and territorial development;
- Support the CAN governments to coordinate policies of economic and social cohesion;
- Promote the coordination and promotion of best practices between the governments;
- Carry out visibility actions in coordination with the four governments and the CAN GS to improve the levels of information and motivation among the Andean citizens regarding the process of Andean integration and the policies of economic and social cohesion of the CAN.

The supervisory board will define the annual work programme of CAECES. The mechanisms to implement these activities will be studies, technical assistance, formation, seminars/exchange of experiences and surveys/statistics.

**Activity 2: “Promotion of the Economic and Social Cohesion through cross-border projects”**

The Andean borders play a key role in the integration, but do not possess optimum conditions for local development. As a consequence the population in these areas has found themselves isolated from the processes of economic growth and social development experienced during the last years. The regional integration process and the extended trade exchange should have a positive effect to change this situation, provided that these territories achieve to create better physical, social, economic and environmental conditions to take advantage of it. In this context the Inter-American Development Bank (IADB), Andean Development Corporation (CAF) and the Spanish Cooperation Agency (AECI) have financed the identification of more than 50 cross-border projects in the Andean Community out of which many are ready to be implemented. These projects seek to carry out specific actions to guarantee a positive effect of the integration in the area of E&SC.

Four projects covering the four internal borders of the CAN and oriented towards the promotion of territorial development amounting to 1 700 000 Euro for EC financing were selected by the High Level Group of Border Integration (Grupo de Alto Nivel de Integración Fronteriza (GANIDF)). GANIDF is composed of Ministries of Foreign Relations, Ministries of Finance and other government representatives and is supported by the IADB, CAF and AECI. These projects are not included in the PIDS. The projects are:
### Activity 3: “Promotion of the E&SC through trans-national projects”

Within the framework of the PIDS, the Andean Council of Social Development (CADS) has identified three projects oriented towards the promotion of social and economic development which will be financed up to an amount of 1,650,000 Euro in total for all projects. These projects are pre-identified within the PIDS.

<table>
<thead>
<tr>
<th>Proyecto</th>
<th>Unidad Ejecutora</th>
<th>Monto Inversión</th>
<th>Aporte Comisión Europea</th>
<th>Aporte Local y Otras Fuentes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desarrollo Rural</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Modelos de desarrollo rural con enfoque territorial en la Comunidad Andina”</td>
<td>SG CAN</td>
<td>454,960</td>
<td>355,760</td>
<td>99,200</td>
</tr>
<tr>
<td>Nutrición</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Mejoramiento de la nutrición en poblaciones indígenas de la Comunidad Andina”</td>
<td>SG CAN</td>
<td>555,200</td>
<td>420,000</td>
<td>135,200</td>
</tr>
<tr>
<td>Educación</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Calidad y equidad en la educación: red andina para el desarrollo de las ciencias, la matemática y la comunicación”</td>
<td>SG CAN</td>
<td>1,126,530</td>
<td>865,600</td>
<td>260,930</td>
</tr>
<tr>
<td>&quot;Launch conference&quot; para los tres proyectos</td>
<td></td>
<td>10,000</td>
<td>8,640</td>
<td>1,360</td>
</tr>
<tr>
<td>TOTAL PROYECTOS PRIORIZADOS</td>
<td></td>
<td>2,146,690</td>
<td>1,650,000</td>
<td>496,690</td>
</tr>
</tbody>
</table>
3.2. **Stakeholders**

The groups that benefit from policies of E&SC in the Andean region are wide sectors of the population, in particular in the border areas. On the institutional level the principal actors are the CAN GS, the CADS, the National PIDS Committees, GANIDF, the several Ministries responsible for the sector policies, the Andean network of academic entities and non-governmental social organisations (RAAOS), and various municipalities in border regions.

3.3. **Risks and assumptions**

The assumption is that the Andean countries have the political will to improve and deepen the Andean integration and make advancements in the issues of economic and social cohesion. The Andean integration process is in general volatile, in particular regarding the Member Countries support to the CAN GS, which makes up a risk for the project.

3.4. **Crosscutting Issues**

The Project is directly linked to the Millenium Development Goals (MDG) as its objective is to contribute to the reduction of poverty, social and economic differences and of social exclusion, paying attention to gender equality and the different ethinical and cultural contexts that exist in the Andean region. The selection of the pilot projects will focus on those projects that contribute the most to obtaining the MDG. Likewise, the horizontal topics of gender, interculturality and environmental sustainability will be present in the project’s whole process and the implementation of its activities.

4. **IMPLEMENTATION ISSUES**

4.1. **Implementation method**

Decentralised management through the signature of a financing agreement with a third country. The Beneficiary of the financing agreement (FA) is the General Secretariat of the Andean Community (CAN GS), which assumes the obligations and responsibilities deriving from that FA. The Beneficiary accepts responsibility for the good execution of the project, among others in terms of effectiveness, efficiency, transparency, sustainability, participation and good use of the resources.

The CAN GS has been designated by Bolivia, Colombia, Ecuador and Peru (ie. third countries) to act on their behalf for the purpose of this FA. These third countries retain the ultimate responsibility for the implementation of this FA.

For the cross-border and transnational projects, the CAN GS will sign an agreement with the municipalities or other institutions that will implement the projects, through which the CAN GS delegates the payment functions and mechanisms of financial control to the municipalities or other institutions. These eventual agreements will be submitted to the European Commission for approval.

The Commission controls ex ante the contracting procedures for procurement contracts >50 000 euro and ex post for procurement contracts ≤ 50 000 euro. Through the programme estimates, payments are decentralised for operating costs and small scale contracts up to the following ceilings:
<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;€ 300 000</td>
<td>&lt;€ 150 000</td>
<td>&lt;€ 200 000</td>
<td>≤ € 100 000</td>
</tr>
</tbody>
</table>

The CAN GS will sign the financing agreement as Beneficiary and assume the functions reserved for it under the agreement and in particular will be responsible for the Project’s implementation. The CAECES is composed of one person in each country to be selected by competitive procedures. The person shall be attached preferably to the Ministries of Foreign Relations. The beneficiary will finance the office and running costs and provide the necessary administrative support. The CAECES shall be coordinated by a coordinator, an administrator and a secretary, all of which to be selected by competitive procedures, located at the CAN GS. The project itself will be directed by the staff financed by the project “Institutional Strengthening of the Andean Community General Secretariat Technical Co-operation Unit” As financing of this project will end in mid 2009, the beneficiary will have to provide counterpart funds for the continuation of the work of the management unit for the present project.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. The maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Implementing Rules of the Financial Regulation where financing in full is essential to carry out the action in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.
4.3. Budget and calendar (€)

<table>
<thead>
<tr>
<th>Title</th>
<th>EC</th>
<th>%</th>
<th>Beneficiary</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Services</td>
<td>2,730,000</td>
<td>41%</td>
<td>800,000</td>
<td>27%</td>
<td>3,530,000</td>
<td>37%</td>
</tr>
<tr>
<td>1.1 International Technical Assistance</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>200,000</td>
<td>0</td>
</tr>
<tr>
<td>1.2 Regional Technical Assistance (CEACES)</td>
<td>1,558,000</td>
<td>27%</td>
<td>800,000</td>
<td>27%</td>
<td>2,358,000</td>
<td>32%</td>
</tr>
<tr>
<td>1.3 Monitoring, Evaluation and Audit</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>1.4 Studies</td>
<td>272,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>272,000</td>
<td>0</td>
</tr>
<tr>
<td>1.5 Education and Training</td>
<td>400,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>400,000</td>
<td>0</td>
</tr>
<tr>
<td>1.6 Exchange of Experience</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>200,000</td>
<td>0</td>
</tr>
<tr>
<td>2 Supply</td>
<td>50,000</td>
<td>1%</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>1%</td>
</tr>
<tr>
<td>2.1 Equipment</td>
<td>50,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>0</td>
</tr>
<tr>
<td>3 Information and Visibility</td>
<td>120,000</td>
<td>2%</td>
<td>0</td>
<td>0</td>
<td>120,000</td>
<td>2%</td>
</tr>
<tr>
<td>4 Running costs</td>
<td>200,000</td>
<td>3%</td>
<td>500,000</td>
<td>17%</td>
<td>700,000</td>
<td>7%</td>
</tr>
<tr>
<td>4.1 Local staff (continuation of inst. building project SG CAN)</td>
<td>0</td>
<td>0</td>
<td>400,000</td>
<td>50%</td>
<td>400,000</td>
<td>50%</td>
</tr>
<tr>
<td>4.2 Other running costs</td>
<td>200,000</td>
<td>10%</td>
<td>100,000</td>
<td>50%</td>
<td>300,000</td>
<td>50%</td>
</tr>
<tr>
<td>Other: Cross-border and transnational projects</td>
<td>3,350,000</td>
<td>52%</td>
<td>1,684,951</td>
<td>51%</td>
<td>5,034,951</td>
<td>53%</td>
</tr>
<tr>
<td>5 Contingencies</td>
<td>50,000</td>
<td>1%</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>1%</td>
</tr>
<tr>
<td>6 Total</td>
<td>6,500,000</td>
<td>100%</td>
<td>2,984,951</td>
<td>100%</td>
<td>9,484,951</td>
<td>100%</td>
</tr>
</tbody>
</table>

The European Community funds assigned to item 6. "Contingencies" may not be used, nor may their use be foreseen, without the prior agreement of the Commission. The financing agreement (FA) will have duration of 42 months, comprising two phases: the 36 months operational phase and the closing phase, which will last a maximum of 6 months.

4.4. Performance monitoring

The project's degree of progress and the fulfilment of its objectives and results will be internally regularly monitored. For this purpose, the project technical team, in close cooperation with the CAN GS, will set and apply a monitoring system in line with the CAN GS guidelines. Independently of this, the European Commission may carry out periodic external monitoring missions that will begin once the project activities have been in effect for at least 4 months, and will conclude no later than 4 months before the end of the project’s operational implementation. Monitoring mission reports will be delivered to the CAN GS so that it can take into consideration any possible recommendations put forward by those missions.

4.5. Evaluation and audit

Mid-term and final project evaluations will be made and, possibly, an ex-post evaluation, as well. If necessary, other evaluations may be carried out during the project implementation period, by common agreement of the CAN GS and the EC. The CAN GS and the European Commission will examine the conclusions and recommendations of the evaluations and will jointly agree on their follow-up and on any adjustments that may be in order, including the project’s redirection, if necessary. The reports of the other evaluation missions and of the monitoring missions will be delivered to the CAN GS so that the possible recommendations put forward by those missions can be taken into consideration. The CAN GS may, regardless of any legally mandated internal and external audits, periodically audit (at least once a year) all of the expenditures chargeable to the EC contribution. To that end, the CAN GS will, with the prior agreement of the European Commission, enter into contact with an external auditing firm, chargeable to the budget item "Operating Expenses". The CAN GS will also perform a final audit during the closing phase and will submit the results to the European Commission, together with the final project report. The final audit should not contain any reservations.
Besides these periodic audits for which the CAN GS is responsible, the Commission may carry out its own audit missions.

4.6. **Communication and visibility**

The project aims at the strengthening of the social and economic cohesion in the Andean Community. The permanent mechanism for coordination, evaluation and monitoring of social cohesion policies and projects ascribed to the CAN GS will carry out various visibility actions in coordination with the CAN GS. Further actions will be foreseen within the cross-border and transnational projects.

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