

"FICHE CONTRADICTOIRE"
Evaluation of the EC support to Mercosur

Recommendations:	Responses of Commission Services:	Follow-up (one year later) :
Recommendations at strategy level:		
<p>1. Develop a medium-to-long term strategic plan. A medium and long term strategic plan to achieve integration should be prepared by the relevant EC Services, detailing each sector's objectives and goals. This plan should be supported by output, outcome, and impact indicators so that the actions are measurable and capable of evaluation. Preparing an action plan based on an analytical assessment, sector by sector, will facilitate both the required consistency and coherence between policy, strategy and actions, and also reduced reactivity to short term needs. (Conclusions.4, 5, 8,11)</p>	<p>The European Commission (EC) agrees that the strategic plan should indeed be based on a thorough analysis of a very limited number of sectors of intervention by the different services concerned and take due account of both the priorities of Mercosur and EC policies. In fact in the coming 12 months, the new Mercosur Regional Strategy Paper (RSP) for 2007-2011 will be drafted based on the input of all stakeholders. The new RSP will inter alia outline an integration strategy for the Mercosur area. By order of priority it should be based on: an analysis of the obligations and needs related to the implementation of the EU-Mercosur Association agreement; Mercosur's regional integration own mid-term strategy (by assessing priorities of Mercosur intergovernmental institutions, involving them into this process) and targets, to be pursued with the EC support; the results of the pre-programming¹ and identification missions.</p>	<p>The 2007-2013 RSP is in preparation, along the lines indicated in the previous response.</p>
<p>2. Pursue integration from multiple angles. The EC should attempt to match its strategic interventions to the real institutional framework within which MERCOSUR is developing (see initiatives suggested in the report, pages 68 and 69).</p>	<p>The General Direction of External Relations (Relex) responsible for policy and programming issues has been pushing for a more integrationist vision of Mercosur nascent institutions, with some success. In the recent past, if the EC would have matched its interventions to the real Mercosur institutional framework, the EC would not have supported the creation of a more permanent dispute settlement mechanism, the strengthening of the <i>Secretaria Administrativa</i> and Parliamentary body etc., as the EC did. It is the role and objective of the EC to be ahead of the curve in this topic, while remaining realistic and in tune with Mercosur political realities, objectives and with the aim of strengthening the institutional framework of Mercosur. Starting from this angle, it is important to raise awareness within Mercosur where a lack of efficiency of certain bodies is obvious, as well as to confront the players with the need to gain coherence within the integration process. Mercosur should be assisted to enhance their delivery mechanism, strengthen credibility, compliance, and having the involvement of their civil societies assured.</p> <p>Seminars for the EC services (in Brussels), to provide information on Mercosur, namely on its evolving decision-making process are suggested by the EC Delegation in the field.</p>	<p>The Commission continues to support Mercosur's institutional development effort. An example is the project to support the establishment of Mercosur Parliament, foreseen by end 2006, is in course of formulation. The Parliament can indeed be crucial for Mercosur's future developments, as it can be the first Mercosur supranational body with some decision making power. The draft RSP is also in line with the suggestion, since it is based on the analysis of the different aspects of the integration and on what is needed to strengthen it.</p>

¹ TOR's for the RSP pre-programming exercise have been prepared by the EC Delegation in Uruguay and Paraguay.

<p>3. The EC strategy should support activities aimed at reducing the existing gap between the political authorities of MERCOSUR and civil society.</p> <p>For example, the “Economic and Social Consultative Forum” should be stimulated as a way of stimulating and disseminating a more comprehensive MERCOSUR Culture. This strategy should also consider the increase participation of private sector organizations, educational centres, NGO, labour unions and similar bodies.[Conclusions 9, 10, 15, 24, 26]</p>	<p>The EC indeed agrees that this important objective should be taken into account in the next multi-annual programme, as the EC already did in the current programming period with projects which have not been considered by the period covered on this evaluation 1992- 2002. In fact this evaluation have analysed the past cooperation projects and some still in place from the old procedure. Therefore the evaluators did not have the opportunity to asses the forthcoming EC project of the “<i>Dimensión Social del Mercosur</i>” in which the <i>Foro Economico Social del Mercosur</i> is the counterpart.</p> <p>During the Seminar for the presentation and discussion of the preliminary findings of this evaluation², the lack of involvement of civil society in the Mercosur integration process was a constant reference. At this Seminar, the Delegation managed to put together participants from (<i>GMC</i>), <i>Comité de Cooperación Técnica del Mercosur (CCTM)</i>, <i>Grupos de trabajo</i>, Mercosur project co-directors, and Ambassadors of the <i>Comité de Representantes Permanentes del Mercosur</i>, which is chaired by President Duhalde. One very positive aspect of this Seminar was that the message was passed on to the decision makers. The last Summit in Puerto Iguazú (Argentina) took some ideas into consideration.</p> <p>Attention starts to be paid to differences between Mercosur and civil society. Meetings of the Economic and Social Forum of Mercosur have taken place at the Secretariat, involving trade unions, private sector, universities, NGO s, etc, to put forward different proposals to GMC. A crucial point identified, among others, was to assist the development of regional networks of NGOs within Mercosur.</p>	<p>The social and democratic dimension, the citizens’ involvement as well as the education and cultural aspects are being more and more taken into account by EC cooperation with the use of different instrument. Regarding the current programming exercise, a project “Mercosur education” is in formulation phase and aims to put in place a higher education mobility scheme within the Mercosur countries.</p> <p>A Mercosur level NGO project “Hacia una ciudadanía más activa para la construcción de un MERCOSUR Social”, which started in November 2003 and has a duration of 48 months, also aims to introduce a social dimension to the Mercosur integration process and to consolidate the democratic processes in the countries of the region.</p> <p>Regarding future programming, priority 3 of the 2007-2013 RSP is: civil society participation, efforts to strengthen and enhance knowledge of regional integration process, mutual understanding and mutual visibility. The public consultation on the Concept Note revealed a high level of interest by Mercosur governmental and non governmental actors for cooperation in this field.</p>
<p>4. Integrate into the strategy a coherent environmental and external policy framework.</p> <p>To enhance the potential benefits of the integration process, especially on the environment, the Commission needs to integrate a coherent external and environmental policy into its global strategy for the sub-region, increase co-ordination and coherence with bilateral interventions (see steps recommended to this end in the report, page 70).</p>	<p>On the future RSP for Mercosur special attention will be paid to sustainable development and in some way to environment integration among Mercosur countries, since it is a key element to promote sustainable development in the sub-region. Additionally the Environment and tropical forests budget line funds projects where two or more partners from Mercosur countries could be associated³.</p>	<p>Sustainable Development aspects will be reflected in the future RSP which will inter alia focus on implementing the future EU-Mercosur Association Agreement including its social and environmental provisions.</p>

² Organized by the EC Delegation in Uruguay and Paraguay together with the Evaluation Unit, at the Mercosur Secretariat

³ Some EU member states already are involved in this field, like Germany with an important regional project on “Competitiveness and Environment”, which is in progress in Mercosur since 2002 until 2007.

Recommendations at co-ordination and policy coherence level

5. Establish a formal co-ordination mechanism.

It is recommended that co-ordination between the various Commission Services in Brussels on policy issues and technical co-operation be enhanced. To this end, the construction of a formal system, namely an EC-MERCOSUR FORUM, is recommended whereby co-ordination of policy aspects and technical co-operation can take place within both HQ and the EC Delegations of the sub-region. The objective of this Forum should be to assess the policy and strategy underlying the regional programme, review achievements and lessons learnt, and provide policy guidelines for continuation of the integration process between MERCOSUR and the EU (Conclusion 14, 18, 22, 23, 27).

The relation between this recommendation and the conclusions listed is not readily evident in several instances. In fact most of the conclusions mentioned put in evidence weaknesses in the identification and formulation stages, during which substantial attention ought to be paid to many of the coordination and consultation issues raised in recommendations 5 and 6. Moreover, other instruments for coordination and information already exist: (i) in the framework of the Order For Service, RELEX and EuropeAid (responsible for handling the Commission's external aid) meet periodically in order to review and update annual and multiannual programming; (ii) a more formal consultation takes place by means of Inter Service Consultation launched during project preparation, and (iii) ad-hoc interservice meetings take place whenever necessary to cope with specific problems. In addition coordination between the various services is one of the objectives of the Country Team Meetings to which delegations will be associated via, for example conference calls.

For the EC Delegation in Uruguay and Paraguay, regional meetings under the auspices of this Delegation (as responsible for the Mercosur sub-region programme) could be organized. These meetings should also bear in mind other Latin America regional integration processes to build on strength, some relevant officials from headquarters could be invited to attend. Although these regional meetings call for funds in order to be realistically organised.

Concerning AIDCO/RELEX coordination, three meetings have been carried out up to date (october 2004; march and june 2005) in order to review and update the annual and multiannual programming, including MERCOSUR.

AIDCO/Delegations coordination on the same topic has taken place on occasion of the regional seminar held in Lima end of January 2005 with all Latin America Delegations. Moreover, a continuing exchange of information takes place constantly, to reflect occurring local changes.

6. Set up a formal consultation process through a Regional Steering Committee to improve co-ordination between the EC Delegations (Argentina and Brazil), under the auspices of the Delegation in Uruguay and Paraguay. As well as to define responsibilities over the execution of the sub-regional program. The EC Delegations need to take a pro-active approach towards the regional programme, participating in programming, ensuring that there are synergies and complementarity between country, regional and other external EC policy initiatives, and increasing their role in project management and monitoring. It is recommended that EC officials from the Delegations meet on a regular basis to discuss, follow up and to assess the impact and the effectiveness of regional projects over the integration process and also their contribution to

Coordination should be achieved through clearer procedural requirements imposed to the EC Delegation in Uruguay and Paraguay which should systematically associate at each step of the project cycle the EC Delegations in Brazil and Argentina in a transparent manner. Complementarity and synergies between countries and delegations should be achieved at the CSP level. The role of the other two delegations dealing with Mercosur countries should be better defined by Head Quarters, together with the Regional delegation.

By now with the deconcentration process, emphasis has been put as well on coordination at field level. Officials of Mercosur Delegations meet on several occasions (special events, training, etc.), therefore there is already the scope to discuss directly about specific Mercosur issues.

Regular review regional meetings between the 3 EC Delegations and the Mercosur counterparts would appear to be adequate. However financial resources need to be earmarked for the meeting(s) as already mentioned

Since August 2005, the "tableaux de bord" prepared by the Delegation in Uruguay for the HQ services are sent for information to the other Delegations of the Mercosur countries. These tables provide updated information on a monthly basis on each deconcentrated Mercosur project at the planning and implementation stage.

In the case of the identification and formulation of new projects, the Delegations in other Mercosur countries have been systematically informed and consulted by the Delegation in Uruguay.

<p>their respective Member States. Issues relating to implementation modalities, project execution, monitoring and evaluation should all be addressed at these meetings. Relevant documents (Identification Form, Financing Proposal, Evaluations...) should be circulated in a draft format, either from Head Quarters or from Montevideo, to the other two delegations. Ultimately this consultation process should form part of the proposed EC-MERCOSUR Forum. [Conclusions 7, 17, 18, 19, 20, 22, 27]</p>	<p>above and the relevant activities foreseen in Delegations. For the Mercosur sub-region, the EC support to Mercosur regional programmes should remain with the EC Delegation in Uruguay and Paraguay due to its proximity and contact with the institutions of the Mercosur in Montevideo, and also keeping coherence with the centralized coordination for cooperation projects that is request from Mercosur.</p> <p>With reference to the proposed increased Delegations role in project management, the EC considers that this task is the beneficiary's responsibility and should reflect a proper ownership and appropriation.</p>	
<p>7. Include a Regional dimension in Country Strategy Papers (CSP). Regional and bilateral co-operation needs to be increased. Country Programmes should include the development of MERCOSUR and achievement of integration as goals for the medium and long term. At the same time, each bilaterally-financed project should include outcomes linked to the regional integration process, whether in terms of coordination (i.e. creation of MERCOSUR networks) or of specific activities. [Conclusions 16, 20, 23, 26, 27]</p>	<p>Bilateral CSPs should all include a substantial implementation of the future agreement, regional integration dimension modelled along the latest Argentina CSP, and as confirmed in the top bi-regional priorities agreed at the Guadalajara Summit.</p> <p>Indeed certain assessment of regional dimension should be considered when elaborating the CSP for Mercosur member states, since some of the bilateral projects have effects on the existing asymmetries between the Mercosur MS. At the time of promoting harmonisation of certain sectors, for example, the tendency will be that national interests will prevail over regional ones; a country will put the emphasis on harmonising those sectors where they have already a comparative advantage in order to export to the EU, benefiting double from a Mercosur harmonisation project with the same objective.</p> <p>With reference to the fact that each bilateral project should include outcomes linked to the regional integration process, the EC's guiding principles will remain that during project identification and preparation the possible relevance of project outcomes for the regional integration process should be put in evidence, one ever appropriate.</p>	<p>The regional dimension, as well as the concrete articulation of the recommended actions with regional projects in course of execution, has been taken into account in the design of CSPs for the 4 Mercosur countries.</p> <p>For e.g. at the identification and formulation of new bilateral projects in Uruguay, all relevant projects at the regional level have been taken into account. The same applies vice versa.</p>
<p>8. Increase policy co-ordination, harmonization and competitiveness within MERCOSUR. Promoting and supporting a "Regional Policy Dialogue" as a forum for senior policy-makers to discuss co-operation and policy harmonization between Member States would be one way of contributing to this objective. The outcome of these meetings or seminars should be disseminated widely among universities or thinktank institutions in the private and public sectors, with a view to giving information on the sustainability of the integration process. [Conclusions 10, 24, 25, 26]</p>	<p>It is politically difficult to imagine the EC promoting an intra-Mercosur policy dialogue. However it should be noted that a policy dialogue is foreseen as part of the EU-Mercosur association agreement, to take place in the association institutional set-up. The main aim of this dialogue should be to stress the "bottom-up" approach by involving civil society and the private sector in order to create a Mercosur conscience. Dissemination into the political/scientific/public sphere is crucial considering that civil society forces perceive Mercosur as distant and abstract and feel left out of the process. Dissemination of results of such dialogue has not so far been foreseen.</p>	<p>The Uruguay Delegation participates actively in the intra-Mercosur fora for policy dialogue. The Delegation has not so far promoted its own initiatives, but it may be included in the 2006 visibility programme. Priority 3 of the new RSP (see above) may also be used for this purpose.</p> <p>Furthermore, both association negotiations and region-to-region cooperation have (and indeed are aimed at) the indirect effect of stimulating policy dialogue and harmonization in crucial fields such as technical regulations and customs procedures.</p>

Recommendations at project and management level

9. Encourage increased MERCOSUR responsibilities in project identification and design.

The Commission should provide TA to the MERCOSUR structures (i.e. to the GMC and to the technical committees and subcommittees including the Secretariat) to improve programming and project identification and design. The outcome of this initiative should be the preparation and presentation of a MERCOSUR Project Portfolio in which all administrative, legal and technical requirements, as well as EC and MERCOSUR strategic priorities, are reflected. [Conclusions 7, 14, 17, 18, 19, 20]

Mercosur participation and ownership in project preparation has already significantly improved in the recent past, as a consequence of deconcentration which has facilitated the contacts and the working relations between Delegation and Mercosur staff. Mercosur is being more and more involved all along the project cycle. This process will be reinforced by the Joint project programming, identification and design missions. Recently, Mercosur has been very active for example in carrying out the identification for the future project Biotech I.

Developing a project portfolio based on Mercosur regional integration strategic priorities is indeed one of the objectives of the up-coming Mercosur multi-annual programme. Such programme should aim at accelerating the implementation of those projects at the juncture between the Mercosur integration work programme and the EU-Mercosur association agreement. Still it is essential that Mercosur clearly identifies a limited number of sectors and priorities to be supported by the EC. This must be done together with the implementation of Recommendation 10.

EC delegations agree with this recommendation, considering the need for Technical Assistance to accompany the project cycle at all relevant steps (contractual procedurals of the EC, drafting of the identification project fiches, drafting of ToR, etc). This practice has yielded good results in EU cooperation projects in other Regions. This is perfectly compatible with the deconcentration process and will provide capacity-building for Mercosur participation and “ownership” in project preparation especially regarding the application of procedures of the new FR, the elaboration of tender documents complying with the Manual of Procedures, etc., which is now under the responsibility of the Mercosur Director. As not being acquainted with the procedures, it is advisable to assist them. As a first assessment, good candidates for this proposal will be the *Comité de Cooperación Técnica del Mercosur* and the *Secretaría del Mercosur*, GMC and CRPM.

MERCOSUR has very actively interacted with the Delegation all along the preparation of Biotech II and Statistics projects, which were successfully presented to the PVD-ALA Committee on 15/09/05. Equally, MERCOSUR is committed to and actively involved with the preparation of the projects on Education, CPCII/Mercosur Parliament and the Macroeconomic harmonisation.

The Delegation in Uruguay organised in June 2005 training on the Financial Regulation and the contractual procedures for Mercosur Member states staff in order to help the implementation of the projects.

10. Promote the creation of a MERCOSUR Technical Co-operation Centralized structure, in which all technical co-operation issues can be dealt with efficiently. The creation of a single entity capable of negotiating and assuming legal responsibility for all MERCOSUR projects financed by international organizations would be an efficient mechanism for improving co-operation between MERCOSUR and the international donor community. It is therefore recommended that under

The EC agrees that a centralized structure to deal with Mercosur Technical Co-operation would help substantively in day to day management of EC funded programs. Certainly it is important to make Mercosur understand that there is a growing lack of efficiency concerning the management of its cooperation ties. Crucial is the assessment of interinstitutional relations in order to boost cooperation. There are no sufficient funds so far for a proper staffing of the Mercosur institutions. Due to the actual economic situation in the four Member States of Mercosur, the governments are not complying with their financial contributions to the Regional institutions like the Secretariat of

The dialogue on future cooperation modalities, including the possibility to create a centralised structure continues, in view of improving the efficiency of execution for the next programming exercise. Mercosur is going through a reflection on the management of technical cooperation until now (it should be recalled that the EC is by far the main contributor and that only recently have other bodies stepped in), whose results are due before the end of 2005.

<p>EC sponsorship a feasibility study be undertaken on creating such a joint MERCOSUR structure/body taking account of the current structures for programming and implementing sub-regional cooperation. The roles, responsibilities, and legal status of this structure should be clearly defined. [Conclusions 14, 17, 18, 19]</p>	<p>Mercosur, the <i>Comision Parlamentaria Conjunta</i>, the <i>Foro Economico y Social</i>, etc. It is to mention that this situation has improved significantly since the nomination of the Director of the Mercosur Secretariat (Mr. Arcuri) , and hope it will quickly improve with the support of the President of CPRM (Mr. Duhalde). However, the creation of such a structure is an internal Mercosur decision.</p> <p>In realty a proposal has been made at the highest level by President Prodi to President Duhalde. The EC remains ready to assist implementing any solution making the Secretaria Mercosur or the Mercosur newly Coreper the focal point of our cooperation and the proposed centralised structure.</p> <p>In this regard, the EC Delegation responsible for Mercosur reinforces this recommendation and suggests that: during the preliminary phases of possible expansion of capacities of the Mercosur Secretariat, the Commission could account for administrative costs. Simultaneously, the countries should be ready to progressively increase their contributions to the Mercosur Secretariat. This way, they would strengthen the operational capacity of the Secretariat in cooperation matters, capacity-building to enable them to provide technical input to the GMC and other MERCOSUR stakeholders. Then Mercosur will be able to provide continuity and become direct counterparts for the EC.</p>	
<p>11. Adapt the EC Financial Regulation to the real regional context of MERCOSUR. The application of EC Financial Regulations to regional programmes like MERCOSUR (particularly Article 164 on the legal, institutional and financial requirements for project selection and implementation) needs to be adapted to the actual regional co-operation context and made <i>more flexible</i> so as to improve efficiency and contribute to full achievement of project objectives and thus the EC's strategic objectives. [Conclusions 3, 14, 17, 21]</p>	<p>Article 164 of the EC Financial Regulation (FR) is only applicable to the authorities of beneficiary third countries, which the Commission has decided, under the decentralised management arrangements. Therefore <u>article 164 is not as such applicable to a regional group</u> such as MERCOSUR. A working group has been set up within the services which are dealing with the difficulties encountered in the application of the F.R. including article 164, however, the specific case of the application of this article in the context of a regional co-operation was not tackled. Even if the EC Delegation responsible for Mercosur has indeed found enormous difficulties in the application of this article to a regional reality⁴. So It should be taken the opportunity of this group to include this issue in his agenda.</p> <p>The financial regulation also foresees the involvement of "International Organisations" in the context of decentralised management. This option should also be explored.</p> <p>It is to be noted that the future Association agreement will establish a sub-committee on co-operation which will have as one of its functions to seek ways and means to ensure efficient implementation of interregional</p>	<p>Article 164 of the EC Financial Regulation (FR) is only applicable to the authorities of the Beneficiary third countries and as is not as such applicable to a regional group as MERCOSUR.</p> <p>The solution which is currently applied in the framework of cooperation projects for MERCOSUR, is to ensure that the authorities of the MERCOSUR Beneficiary country that is responsible for the implementation of a particular project, do satisfy with the conditions laid down in the article 164 of F.R.</p> <p>This does not prevent however that all countries participating in a regional group such as MERCOSUR should comply with the provisions of article 164 of F.R.</p> <p>Work should be done in order to help all the countries participating in MERCOSUR to better understand the provisions concerning the implementation of cooperation projects financed by European Community funds and</p>

⁴ Resulting for Mercosur in the following: Beneficiary - Grupo Mercado Comun which appoints an "Implementing Agency" having to fulfil the main requirements of Art. 164 (legal entity, own budget, capacity to nominate a Project Director and his full payment, audited accounts and balances, and the requirement to be audited by an external agency, etc.)

	<p>cooperation, taking into account the institutional decision making structure of the Parties and the Technical and Administrative provisions for the implementation of cooperation projects. The focus should lie on involving Mercosur in the formulation of goals helping Mercosur to understand the implementation procedures under the new FR compulsory as of January 2003.</p>	<p>particularly the provisions laid down in the Financing Regulation which include article 164. This could be a task of the sub-committee on cooperation created in the framework of the Association agreement.</p> <p>The Financial Regulation has complicated the implementation of the Mercosur projects – however, solutions have been found to all problems respecting the FR. It is expected that the experience with the first projects entered into the implementation phase will help to launch other projects more smoothly. Also, The Delegation in Uruguay organised in June 2005 training on the FR and the contractual procedures for Mercosur Member states staff.</p>
<p>12. Improve the EC project preparation cycle. The time taken from project conception to actual implementation needs to be shortened (in particular, identification and preparation of ToRs is too lengthy) and more flexibility should be introduced into ToRs so that changes that occur in the project can be reflected in adaptation of project activities. The Delegation in Uruguay should have the authority to approve such amendments. [Conclusions 14, 17, 18]</p>	<p>It is understood that when speaking of TORs, it should be referred to as Technical Administrative Provisions. In Mercosur every consultation or project design takes longer due to high number of interlocutors, since each consultation is to be checked with 4 coordinators of the Technical body, 4 National Directors at the relevant ministries, 4 coordinators at the CCTM and finally reach the 4 coordinators of the GMC. Nevertheless, there is already some flexibility to speed up the process: the EC Delegation in Uruguay and Paraguay can approve changes in the activities of a project.</p> <p>Moreover, this evaluation did not take into account the ongoing projects where the time lag between the identification phase and the preparation of the TOR is not as long as described here. Even though the EC project cycle can be shortened through the implementation of some of the previous recommendations. Delays may be explained in part by the limited involvement of Mercosur in the definition of the strategy with the EC (Recommendation 1). Lack of coordination among Mercosur members (recommendation 10) as mentioned above has been an important cause of delays in the design phase of the project. Moreover the EC FR (Recommendation 11) imposes institutional constraints on projects design. The standard clauses of Financing Agreements already contain adequate provisions for amendments.</p>	<p>The length of the overall project preparation process for the two recently approved projects (see § 9 above), is in conformity with the average figures in this respect, i.e. 12-18 months starting, for a given project, with the inclusion in the annual programming up to the final approval via the Commission’s Decision.</p> <p>It shouldn’t be forgotten that 4 interlocutors intervene in the above process, instead of only 1 for bilateral projects; therefore more time may be needed in order to complete the overall procedure.</p>