

PERU

COUNTRY STRATEGY PAPER



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SUMMARY

The Peru Country Strategy Paper 2002-2006 (CSP) is an assessment of the development potential of Peru based on an analysis of the different factors contributing to it (objectives and legal framework for co-operation, policy agenda, political, economic and social situation, past and on-going co-operation). The findings of this analysis lead to the identification of the main directions of EC co-operation policy with Peru in the coming years, in close consultation with local authorities and Member States.

EU co-operation in general is based on Article 177 of the EU Treaty. In the particular case of Peru, the framework for EC aid is the ALA Regulation (443/92), which puts emphasis on strengthening the co-operation framework and on making an effective contribution through institutional dialogue, economic and financial co-operation, to sustainable development, security, stability and democracy. On the political level, the forum of discussion between Latin America and Europe is the follow-up to the Rio Summit.

The government of Peru has three priorities on its policy agenda: increasing the quality and quantity of employment; fighting against poverty through a special focus on education and health; consolidating democracy and the rule of law.

Peru has gone through a process of transition to representative democracy in 2001, which culminated in the election of M. Alejandro Toledo as the new President in June 2001. This election has helped restore some public confidence in the country's battered democratic institutions. However, consolidation of democracy and the rule of law after 10 years of de-institutionalisation and corruption at high levels of the State is still required. One of the biggest difficulties facing the new administration will be to find a model of development that combines macroeconomic stability with increased employment opportunity and effective antipoverty mechanisms with equal conditions for all.

The main donors, including the EC, have for many years supported the development of Peru, with irregular results, by funding various sectors. Peru was actually one of the largest main recipients of EC aid in Latin America during the 1990s, especially directed towards social development (health and education), food security and rural development. The difficult political situation at the end of the decade put a slow-down on external co-operation, but recent positive efforts have meant that most donors are willing to strengthen their co-operation programmes with this country.

Taking into account this analysis, the main areas of co-operation with Peru in the period 2002-2006 under the main co-operation lines will be¹:

- Support of the rule of law and Institutional Reform.
- Socio-economic development.
- Regional integration.

In addition, the Commission will mainstream horizontal themes (gender, disaster preparedness and environment) throughout its work and will build on existing investments and expertise through a sector approach.

¹ The main co-operation lines are those created by the ALA Regulation: Financial and Technical Co-operation and Economic Co-operation

1. EU CO-OPERATION OBJECTIVES

Objectives for EU regional co-operation with Latin America

In broad terms, Article 177 of the Treaty sets out the main objectives of Community development co-operation. These guiding principles apply generally to EU co-operation with Peru. The broad objectives are:

- a) the fostering of sustainable economic and social development.
- b) the smooth and gradual integration of the developing countries into the world economy.
- c) the fight against poverty.

Furthermore, EU co-operation seeks to develop and consolidate democratic institutions, the rule of law, and encourage the respect of human rights and fundamental freedoms.

In their November 2000 Statement, the Council and the Commission explained that the EU intends to concentrate its development co-operation efforts on six areas : the link between trade and development, regional integration and co-operation, support for macroeconomic policies and the promotion of equitable access to social services; transport infrastructure; food security and sustainable rural development; institutional capacity building.

Regional level

The co-operation between the EC and Peru is based on the general framework provided for in the (EC) Council Regulation n° 443/92 of 25 February 1992, on financial and technical co-operation and economic co-operation with development countries in Latin America and Asia. The 443/92 Regulation stresses the importance the Community gives to the promotion of Human Rights, the support to the process of democratisation, the good management of the state, the liberalisation of trade and the strengthening of the cultural dimension through increasing dialogue on political, economic and social issues.

The Rio Summit in June 1999, the first of its kind, between the Heads of States of the Latin-American and Caribbean region and the leaders of the European Union, provided a new impetus for the strategic bi-regional partnership in its political, economic, social, environmental, educational, cultural, technical and scientific dimensions.

The Commission has also issued three *Communications*² concerning Latin America. The objectives proposed in these Communications can be summarised in the following elements:

1. *Development of a strategic alliance*, based on the identification of themes and convergent positions as well as the re-enforcement of the negotiating capacity of both partners at international level.
2. *Consolidation of the Rule of Law and Democracy*, guaranteeing the democratic process irreversibility at institutional level as well as Human Rights protection and promotion.

² COM (95) 495, COM (99) 105 and COM (2000) 670

3. *Promotion of diversified models of Sustainable Development*, favouring economic reforms and increasing the international competitiveness level while responding to the “social debt” and attacking the poverty and inequalities problems.
4. *Promotion of Regional Integration*, searching also a harmonious articulation of the sub-regional groupings.
5. *Encouragement of the political dialogue between civil society* from both regions.

The main priorities and objectives of EC co-operation with Peru are set out in the Framework Agreement between the Community and the Cartagena Agreement and its member countries³, of 29 April 1998, which confirms their commitment to democratic values and the respect of Human Rights⁴.

2. PERU’S POLICY AGENDA

Together with democratic reconstruction, the fight against poverty and social exclusion is at the top of the Government’s agenda. President Toledo's government aims to study in greater detail the integration of Peru into a liberalised market economy, but with a "human face" and under the banner of the rule of law. His main lines of action are:

On an institutional level

- The promotion of Human Rights
- The strengthening of State institutions through the reform of the public sector and the modernisation of the system of control of civil servants (revision of the Constitution envisaged).
- The decentralisation of the executive (first regional elections envisaged in 2002).
- Monitoring and strengthening of a strict separation of powers, in particular as regards justice.

On a social level

- The concentration of efforts on the fight against poverty, in particular through the implementation of the Emergency Programme “*A Trabajar*” which contains short-term employment and income generating measures through reconstruction/maintenance of social infrastructure as well as roads, housing, institutional strengthening of local governments, etc. (total budget of this programme: US\$ 614 million).
- The reform of health and education systems aimed at a qualitative and quantitative improvement in public coverage.
- A policy to support standard housing as a result of the improvement of a guarantee fund intended for housing credit.

On an economic level

The structural reform agenda, which is supposed to ensure the sustainability of the initiatives taken on the social front, is based on the following areas: fiscal reform, continuation of privatisations, strengthening of financial supervision, reform of the Law of Fiscal Prudence and Transparency, support to local governments to attain financial independence, reform of pension systems and trade reforms to ensure integration into the FTAA.

³ Bolivia, Equator, Venezuela, Peru, Colombia , Comunidad Andina de Naciones (CAN)

⁴ JO L 127 of 29.04.98, P.11

- This strategy is aimed at complementing the ongoing programmes with the Inter-American Development Bank and World Bank, which focus on improving the targeting of social programmes and the transparency of government operations.
- The new Toledo government, like the transition government, is negotiating a “letter of intent” with the IMF through which it is expecting to obtain a “stand-by” credit of DEG 255 million in order to stabilise the economy and balance the budget during the 2002-2003 period. So far, the following objectives have been fixed as regards macroeconomic policies: GDP growth between 3.5% and 4% in 2002, and 5% in 2003, budget deficit at 1.9% of GDP in 2002 and 1.4% in 2003, inflation at 2.5% in 2002 and 2% in 2003, current account balance below 3% of GDP. Economic reactivation and the increase of employment are expected through a mix of tax and generous wage policies (increase in salaries within certain social categories as well as retirement benefits) and monetary discipline.
- Paying close attention to the following sectors: tourism, agriculture/agro-industry (creation of an agricultural Bank), fishing, energy and SMEs.

3. POLITICAL, ECONOMIC AND SOCIAL ANALYSIS

3.1. Political situation

3.1.1. Heritage from the past and democratic transition

Peru can be defined as an ethnically mixed country, which throughout its history has experienced deep political and social conflicts, thus creating a situation of chronic instability and preventing the emergence of a genuine national identity. Peruvian society encompasses major ethnic and cultural diversities, which makes it one of the most heterogeneous societies on the American continent.

The country experienced serious civilian distress during the 1980s and the beginning of the 1990s as a result of political violence led by terrorist movements *Sendero Luminoso* and *Movimiento Revolucionario Tupac Amará*. It also suffered from the destruction of its economy as the biggest hyperinflation in its history occurred at the end of Alan García’s term (1985-1990).

During the 1990s the country was governed by Alberto Fujimori, who managed to defeat terrorism and to re-integrate the country into the international economy by implementing an in-depth process of stabilisation and structural reform. However, this policy had also a very negative cost in terms of social indicators (increase of under-employment and inequalities) and institutional stability (de-institutionalisation, increase of state-led corruption, authoritarianism)

Ex-President Fujimori was forced to resign in November 2000 following the discovery of an extensive corruption network in the upper echelons of the State. The democratic transition was then administered by a government chaired by Valentín Paniagua, which endeavoured to restore democratic institutions, to reintegrate the country in the international democratic community, and to prepare open and free elections. Alejandro Toledo, one of the leaders in the fight against the authoritarian regime of Alberto Fujimori, was elected in June 2001 as the new President.

The current political situation is complicated in Peru. Toledo has not an automatic majority in Congress (his party - *Perú Posible* - has 45 out of the 120 seats). Therefore, he needs to spend more time and energy in parliamentary management than his predecessors to avoid constitutional gridlock.

3.1.2. The rule of law and the legal framework

The rule of law was seriously weakened during the 1990s. This tendency is one of the effects of the antiterrorist policy, which meant that many members of the military and the police committed abuses in the name of the pacification of the country. In addition, the corruption scandals at state level, which are still being clarified, testify to the existence of a two-speed justice. Lastly, the legal sector is affected by serious technical and budgetary deficiencies, especially at the level of the legal-penitentiary interface, and by the lack of development of alternative conflict resolution mechanisms such as the district court and conciliation. This contributes to a general obstruction in the system of administration of justice. The present government is committed to re-establishing the rule of law, to enter into an in-depth process of state reform and to fight against corruption, as shown by the creation of an anti-corruption tsar.

Significant improvements in the field of Human Rights and fundamental freedoms have been noted over the year 2001, particularly the will to deal with the abuses committed during the anti-terrorist fight (creation of a Truth and Reconciliation Commission) as well as the law banning torture, the law eliminating "faceless courts", the cancellation of military tribunal sentences, and the standards for the freedom of expression.

The current Constitution came into effect in 1993 under Ex-President Fujimori. While allowing for a centralisation of power and reducing the strength of the legislative branch (the Parliament passed from a bi-cameral system to a single chamber, the Congress), it incorporated the respect of Human Rights, more rights for indigenous people and democratic values. The current government has decided to change the 1993 Constitution in order to favour decentralisation and the State reform process. This might lead towards a partial or full re-establishment of the 1979 Constitution. Presently, the Government is carrying out a deep reform of military forces and the Police.

The last electoral process highlighted some weaknesses in legislation, such as a complicated election system for a population that is illiterate in many rural areas, the non-recognition of the multi-cultural nature of the electorate, the absence of a regulation governing political parties and the differences of criteria between the institutions responsible for organising elections⁵. Another peculiarity of the electoral legislation lies in the fact that vote is compulsory but the military and the police can not vote.

3.1.3. Internal political and security situation

After a long period of violence, the internal political situation of Peru has become reasonably stable. However, there is the political danger for Toledo that protests may spread in the margins of the party system. Having been largely ignored under Fujimori, grass-roots organisations are keen to reassert themselves, testing Toledo's commitment to respect democratic institutions and procedures. Discontent is likely to increase if he fails to honour election campaign promises, especially with regard to job creation.

Some structural factors of political instability must be added, like the latent racism that dominates all relations throughout the country and the de-institutionalisation of

⁵ See the Final Report of the Electoral Observation Mission of the European Union – General Elections 2001

politics during the 1990s, which means that many people are not familiar with party politics, respect of fundamental rights and ideological debate.

As regards internal security, the policies of the Toledo Government are directed towards the continuation of the fight against terrorism in a fairer and more transparent way. It must be stressed that the application of the antiterrorist laws, including the emergency areas, considerably improved the situation over the last two years, so much so that they no longer seem necessary today. Other issues are drug trafficking as well as ordinary and organised crime, which remain alarming and call for an active policy on the part of the government.

3.1.4. Regional and international context

As in all the countries bordering Colombia, numerous fears have emerged regarding the effects of Plan Colombia, owing to the expected overflow of drug traffickers and coca leaf farmers across the long border between the two countries. Fears are also centred on the consequences for the region of the increase of North-American military aid to Colombia in the fight against drugs, and the harmful ecological effects. This concern was accentuated by the “Andean Regional Initiative” currently under discussion. As a part of his policy to reform the military and also as a way to avoid future conflicts in the region as a result of this difficult scenario, president Toledo has proposed a reduction in military spending in Peru and the rest of the Andean region. This proposal has been reiterated during the Ibero-American Summit on Lima the 23 and 24 November 2001.

International relations have changed significantly since Fujimori. The Toledo government is much more committed than its predecessor to work actively towards regional economic integration. Another level of Toledo’s international policy is the recognition of Peru as a full-fledged democracy in the hemisphere. Important initiatives were taken in order to reintegrate the country into the international Community. These initiatives include the signature of the Rome statute of the international penal Court (IAPSC), the signature of the OAS Convention on forced disappearances, the recognition of the contentious competence of the Inter-American Court of Human Rights, and the signature of the Convention for the elimination of all forms of discrimination against women.

Although Peru has signed a Peace Agreement with Ecuador in 1998 resolving the border divergences that have been the cause of many conflicts between both countries in the past, there are still some sequels. There remains a need for support from the international community to help stabilise the region and allow it to exploit its economic potential. In addition, on the Peruvian side of the border there are, according to an official report from April 2001⁶, some 120,000 antipersonnel landmines. Even though the process of de-mining in that area has been effectively monitored by the OAS in co-ordination with the Peruvian Minister of Foreign Affairs, and some donors are already strongly involved in this activity, there still remains a strong need for funding.

Peru is part of the Antarctic-Environmental, Antarctic-Marine Living Resources, Antarctic, Biodiversity, Climate Change, De-certification, Endangered Species, Hazardous Wastes, Nuclear Test Ban, Ozone Layer Protection, Ship Pollution,

⁶ Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction – Reporting Formats for Article 7

Tropical Timber 83, Tropical Timber 94, Wetlands, Whaling and the Kyoto Protocols (which is signed, but not ratified).

3.2. Economic and social situation

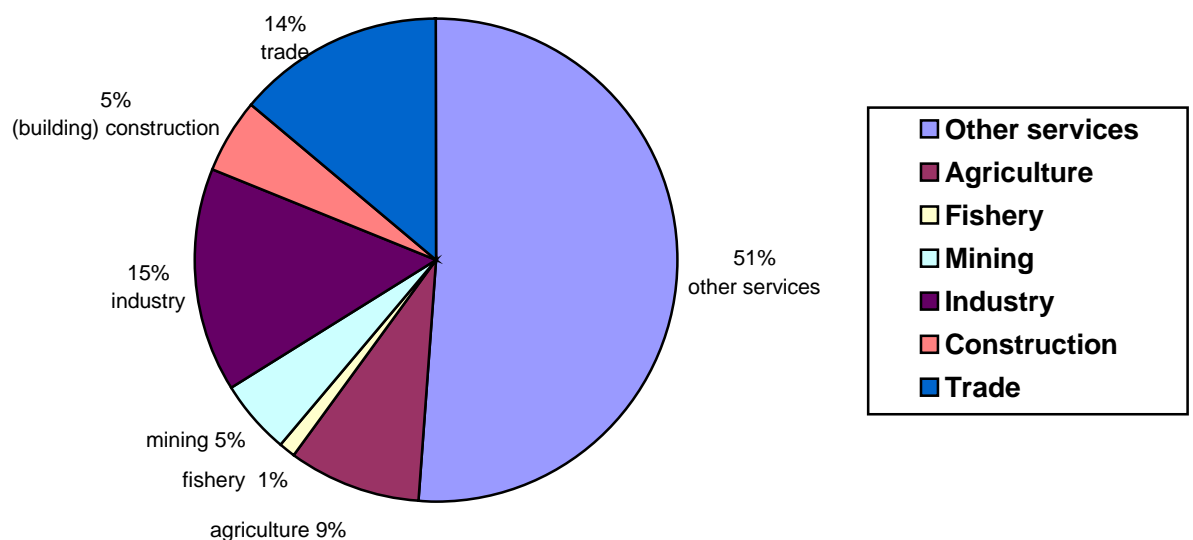
With a territorial extension of approximately 1.3 million km², Peru is the 4th largest Latin American country. Peru's geography is extremely diverse: the coastal area (11% of the surface), the Andean region (34%) and the Amazonian basin (55%), each constitute a distinct entity with its individual characteristics. Like other Andean countries, Peru is a multi-ethnic country (45% of indigenous, 37% of mixed and 15% of whites; the mother tongue of 60% of the Peruvians is an indigenous language).

Population density in Peru is low, but 7,5 million inhabitants (out of a total population of 2,7 million, i.e. 29,2%) are concentrated in the capital, Lima. This is the result of a phenomenon of mass migration from the mountain areas to the capital, in part due to the violence in rural areas during the last decade.

The most relevant socio-economic indicators of Peru are shown in Annex 1.

3.2.1. Economic situation, structure and performance

Throughout the 1990s, Peru underwent a significant transformation of its production structure, which means that the private sector increased in importance (privatisation, promotion of private investment, etc.). Like many Latin-American economies, Peru is characterised by a dominant service sector, which is mostly informal and far from internationally competitive.



The main features of the Peruvian production structure are as follows:

- Accentuated duality of the productive systems: A modern sector, concentrated in the coastal area and based on foodstuffs and manufacturing industries, is contrasted by subsistence farming of the highlands (cheap and under-qualified manpower).
- The economy continues to be heavily dependent on the exports of traditional sectors (mining and fisheries- 16 %), which makes the country vulnerable to international prices fluctuations or declines in output.
- An extensive informal sector (estimated at more than 50% of GDP) characterised by low productivity levels, which by-passes the state's legal and financial frameworks (taxation, labour law, quality standards).

- Importance of an “illegal economy” linked to the cultivation and production of drugs (Peru continues to be one of the world's largest coca-leaf producers).

A serious source of instability is the existence of a dual economy. Furthermore, the gap between the international economy and the domestic (mainly informal) economy makes it difficult to guarantee quality employment and to mainstream the benefits of growth in the whole productive system. Peru's economic base was ensured by creating a huge informal and under-employed economy which is now marginalised from globalisation. Finally, this situation means that there is little hope of attaining a sufficient level of competitiveness to be able to expand exports beyond the traditional and low value-added products.

3.2.2. Main macro-economic trends

In the mid-nineties, Peru registered high growth rates and a successful tax reform, along with an overhaul of the tax-collection system, which meant that the tax collection ratio has gone from 5 % of GDP in 1990 to 13,7 % in 1998 with the long-term target set at 22%. Since then, however, Peru has experienced 3 years of negative or weak growth (1998-2000), an increase in the unemployment and under-employment rates, an overdrawn trade balance and private as well as public investment have been falling since 1997.

Output grew by 3,1% in 2000, but slowed down in the second half of the year as a result of the weakening of domestic demand, as private investment fell due to political uncertainty and government expenditure was tightened to offset overspending before the elections. Growth is projected to decelerate from 3,1 % in 2000 to 0,4 % in 2001⁷, reflecting not only external factors but also the political uncertainty that preceded the election of President Toledo and delays in the adoption of a new economic programme.

The combined public sector deficit remained at 3,2% of GDP in 2000 because of a shortfall in general government tax revenue and a contraction of the economy. President Toledo has promised to raise the long-term fiscal burden to 22 %. Employment declined by 2,6% and inflation amounted to 3,7% in 2000, despite a large increase in fuel prices.

3.2.3. Assessment of the reform process

In 1990 the administration of President Fujimori launched a programme of neo-liberal economic adjustment that allowed the signature of an agreement with the IMF in 1993 and the reintegration of Peru into the international financial community in 1995. The adjustment measures led to the reestablishment of the macro-economic and monetary framework, favouring the relaunch of the productive apparatus, in particular thanks to the injection of foreign investments (the EU is the main investor in Peru).

The transition government, in compliance with the commitments made by the signature of a letter of intent with the IMF in January 2001, has fixed itself objectives that Toledo's government is forced to respect: primary equilibrium of the budget, cautious monetary policy, execution of structural reforms and continuation of privatisation and concessions policy (ports, roads, mines, airports).

⁷ Source: INEI (Instituto Nacional de Estadística e Informática)

A new letter of intent is being negotiated by the Toledo government at the beginning of 2002. It reiterates, in broad terms, the same objectives as the 2001 letter of intention, which was only partially respected because of the decrease in growth and public finances figures. The new government has also announced its commitment to continue privatising the main public companies in a more transparent way than under Fujimori.

3.2.4 External environment, including regional co-operation agreements.

Peru has fully subscribed to WTO rules. Within the Andean Community, Peru is in the process of negotiations for the FTAA. In fact, the Carabobo Declaration of 2001 stressed the commitment of all CAN countries to push ahead towards the 2005 FTAA deadline.

As of 1999, Peru became a full member of APEC. Under Fujimori, the government's approach was marked by an intensified interest in the Pacific region, resulting in Peru's integration into APEC, while the consolidation of the Andean Community received scant attention. The new government has changed this approach, as it is giving priority to the Andean integration.

Trade and FDI

Peru and the EU maintains strong trade relation ship: 20% of Peru's exports are directed to the EU while 19% of its imports originate from the EU. Peru exports mainly primary products (copper, coffee, gold) while receiving mainly manufactured products (machinery and chemicals) from the EU. Provisional data from 2000 (up to September 2000) indicate that Peru's exports to the EU increased by 14,4% and its imports by 10,8% for the same period in 1999. EU exports to Peru mainly machinery (38 %) and chemical products (17.50%).

Peruvian exports to the EU in % (EUROSTAT)	
Primary Products	64
Machinery	0.3
Chemical products	1.6
Textile and cloth	5.9
Basic Industry Machinery and Equipment	1.8
Others	26.4

EU exports to Peru in % (EUROSTAT)	
Agricultural products	7.10
Energy	0.20
Machinery	38.00
Transport material	6.60
Chemical products	17.50
Text and cloth	1.90
Others	28.70

The Generalised System of Preferences (GSP) plays a major role in Peru-EU trade relations. Last available figures show that due to the Most Favoured Nation clause and to the GSP, around 90% of Peru exports to the EC were exempt from customs duties. The December 2001 extension of the "Drugs GSP" for 3 years has been welcomed by Peru, even if all the Andean countries have expressed their wish to see the Drugs SPG strengthened in a durable way and not through an unilateral decision of the EU.

FDI from the EU in Peru stands at € 6,100 million, or 55% of total registered FDI in 2000⁸. Between 1993 and 2000 the sectors of communications, finances, mining and

⁸ These figures are provided by CONITE, the official institution in charge of registering foreign investment in Peru. Counting non-registered FDI and stockmarket foreign investments, total foreign investment in Peru 2000 stands at more than 19,300 Million Euros.

industry were those that received the most investment. Investments made in 2000 (US\$ 359,93 million) were mainly orientated towards communication (75.1%), industry (8,6%), trade (6,1%), energy (5,6%) and service sectors (3%). 76 % of Peru's energy production is hydro-based and 5,6 % of EU FDI is within the energy sector. Also, within the communications sector, the main beneficiary companies are specialised in the sub-sector of cellular communications: Bellsouth Perú, Tim Perú. Nextel del Perú, Telefónica del Perú. Furthermore, the investments registered in 2000 but not necessarily executed during that year are the result of poorly diversified investments in mining (Antamina S.A., Southern Peru), financial (BSCB, Banco Continental, Sudameris, Interbank), industrial and energy sectors. Annex 2 shows the sector distribution for foreign direct investment in Peru.

3.2.5. Social developments

Poverty

As mentioned above, poverty remains a serious problem in Peru. The poor population of the highlands is becoming impatient and is calling for rapid implementation of electoral promises.

Apart from low social spending, the privatisation policies of the 1990s, together with trade liberalisation, led to high social costs (lay-off of workforce, rigid wage policies, etc.) and unemployment is at 9,5 % (as of July-September 2001). Under-employment in 1999 affected 43,5% of the urban active population.

The country's poverty levels (54,1% of the population) reflect a very uneven distribution of wealth: Peru is positioned 73rd world-wide in the UNDP's human development index. The vast majority of the poor live in the mountainous Andes or in the Amazonian region. Furthermore, 65,3% of the population in rural areas is poor, as opposed to 41,9% in urban areas. Approximately 62% of people who speak *Quechua* (Indian language of the Andean area) live in poverty while "only" 42% of the Spanish speakers are in the same situation.

Main indicators: education, health, housing

The government is aiming to reform the education system in order to provide it with flexibility and institutional capacity: generous wage policy, incentives to remain on marginal areas, reform of the curricula according to regions, etc. The State is also intending to link secondary education more to employment. The signature of agreements between Superior Technical Institutes, Universities and companies will be supported in order to improve the pertinence and quality of education, as well as increase the chances of jobs. Another important initiative is the launching of the *Plan Huascarán*, a programme by which the schools of the poorest areas will have access to Internet and will be interconnected, as a way to foster IT know-how and share information.

As for the health sector, several reforms have been launched since 1995: some of these can be regarded as successful (priority for basic health, maternal and child health care, vaccination campaigns), whereas others have been strongly criticised (social security reform, policy of "forced" sterilisation...). Since most people in Peru (70%) rely on the public health system managed by the Ministry of Health, its good functioning is particularly important. Apart from the social security (*EsSalud*) system, which is only directed towards formal sector employees, public health institutions suffer from under-funding and lack of coverage, in particular in rural areas. Ensuring access to health services for the poor is, therefore, a major challenge.

There has been an improvement over the past years concerning access to housing, water, sewage systems and electricity. It is, nevertheless, estimated that 1,3 million houses are currently needed (445,000 of which in Lima). Government housing policies have not been very effective (subsidised loans for housing via the *Mivivienda* fund have only benefited the middle class).

Vulnerable groups

Taking into account the recommendations of the 1994 ICPD Cairo Conference to place greater emphasis on the promotion of women, the Peruvian Government in 1996, created the Ministry for Advancement of Women and Human Development (*PROMUDEH*), responsible for formulating and supervising the implementation of population policies. However, Peru is one of the few countries in Latin America that has not implemented the main commitments of the Beijing Conference, in part because of a lack of institutional and financial capacity.

Maternal mortality rates have, if anything, decreased over the last decade. However, Peru remains, along with Bolivia and Haiti, one of the countries that can be identified as having the highest maternal mortality rates in the context of the region as a whole, at over 185 maternal deaths per 100000 births⁹. In Lima, the maternal mortality is lower than it is for rural women. A reduction in female illiteracy, an important OECD/UN/World Bank goal, has been observed at the national level, from 20,2 % in 1990 to 7,8% in 1999, although it has occurred at a disproportionate rate in Lima, compared to other regions.¹⁰

At almost all social levels one can observe discrimination in terms of income, education and job opportunities for women. This explains why the poorest of the poor continue to be women and children. Besides the negative effects of poverty, women are affected by cultural considerations that limit their access to education, health and paid jobs. On top of economic and health disadvantages, women also suffer from high levels of domestic violence and work overload because of the doubling of professional and family obligations. There is in that sense a clear process of feminisation of poverty.

The ratification of ILO Convention 169 by Peru on February 2, 1994 was a milestone for the indigenous peoples, as it established the need for special legislation to address the land issue, which is essential for cultural survival. However, there is no mechanism for government consultation with indigenous people regarding legislative initiatives on the economic field.

Ethnic origin remains a key factor in attaining social progress. Indigenous people are more affected by poverty than the rest of the population and often remain outside the governmental decision-making processes. Some positive developments have, however, taken place: the Ombudsman has been active in the diffusion of various indigenous rights and the negotiation of specific demands, the new government created a Commission in charge of proposing new policies for addressing indigenous issues and the Secretariat for Indigenous Affairs was recently strengthened institutionally.

⁹ Source: Anuario Estadístico- Perú en números 2001: Cuanto, 2001

¹⁰ Evolution of female illiteracy rates: 1990-99, www.inei.gob.pe

3.3. Sustainability of current policies and medium term challenges

The economic reform process has exposed Peru to a number of challenges, some of which are mentioned above. The international community generally considers President Toledo's reform agenda to be sound and successful. The main tasks are the following:

- Consolidating democracy and the rule of law.
- Socio-economic development.
- Fighting against poverty through a special focus on education and health.

It is difficult to give an opinion on the viability of initiatives that are still being drafted. However, as they are based on the broad courses of action set out by Toledo's government and on the legacy left by Fujimori, it is possible to make the following comments:

- Despite the difficult social situation, the government elected for the period 2001-2006 directed its policies firmly towards the fight against poverty, using strategies that seem appropriate. In particular, there appears to be consensus on the fact that poverty has to be approached on a focused manner, avoiding the adoption of general policies, which would not directly benefit those most vulnerable.
- The implicit distinction in the government's plan between cyclical poverty (connected with the macroeconomic situation) and structural or endemic poverty (connected with marginalisation and isolation of the productive systems) reveals an in-depth analysis of social problems.
- The attention the government pays to the supply of basic services by calling for international co-operation and applying strategies associating the public and private sectors (privatisation and concessions within a defined legal and regulating framework) is important.
- On an institutional level, the government needs the means to achieve its ambitions. The institutional reform plan appears to be adapted to the requirements of sector articulation of policies (education, health...) and of local and concerted treatment. In this sense, the decentralisation promised will be fundamental.
- The government committed itself to respect the principles of good government, the rule of law and of respect for Human Rights. This willingness must take practical shape in the measures for which it has already expressed its wish to receive international co-operation in the form of financial resources as well as technical assistance (cf. reform of the system of administration of justice).

However, there are some items that could limit the sustainability of the government's policy. The environment is not a priority, while the development model followed over recent decades has had a very negative impact on the ecosystem, in particular as regards availability of water and quality of the soil. Besides, Peru suffers from natural hazards, such as earthquakes, flooding, landslides and mild volcanic activity. Therefore, it is necessary for the government to make environment and disaster preparedness and prevention activities two priorities. In this context, Peru has recently approved legislation concerning the protection of forests. The Community gives strong support to Peru with some horizontal projects for the preservation of the Amazonian forest (i.e. PROMANU). The land reform issue, while being fundamental for strengthening the distribution of wealth in rural areas, is being neglected in the government's agenda. *The gender issue* continues to be underestimated on an administrative level as well as in strategies to combat poverty. On top of that, the efforts to create employment could be hampered by structural limitations such as the

inappropriate labour market (lack of intermediary qualification manpower, huge informal sector) and the unfavourable terms of exchange. Generally, the social policies envisaged will be limited by Peru's budgetary and monetary constraints. Insecurity and the problem of drugs are in the same way factors of uncertainty as regards sustainability of government policies.

Another point that should be mentioned is the extent to which electoral promises will be respected. The government is receiving much criticism for not respecting some commitments made during the electoral campaign, in particular the increase of public sector wages and pensions, the rapid reconstruction of the areas affected by the June 23, 2001 earthquake or the creation of an Agrarian Bank. Such tendencies, if they are to continue, could be a hindrance in the government credibility vis-à-vis national and international investors, and a source of popular discontent.

3.4. Medium term challenges

Challenges	Strengths and weaknesses of the government policy	Intervention possibilities of the EC
Consolidating democracy and the rule of law	<p><i>Strengths:</i> Commitment of the government to launch a process of decentralisation and state reform, creation of a Truth Commission</p> <p><i>Weaknesses:</i> Opposition of some interest groups to decentralisation, weight of bureaucracy, lack of means and know-how, insufficient attention given to gender and indigenous people issues</p>	<ul style="list-style-type: none"> - Support to the reform of the state, in particular in the areas where the EC has already gained experience (prison sector, justice and <i>Jueces de Paz</i>) - Support for conflict prevention through the implementation of actions in strategic areas - Support for the implementation of appropriate policies in favour of vulnerable groups (women, indigenous people)
Fighting against poverty through a special focus on education and health	<p><i>Strengths:</i> Existence of a Social Emergency Programme, priority given to fight against poverty through the provision of basic services (education and health) to the poorest.</p> <p><i>Weaknesses:</i> Lack of financial resources, lack of clarity about long-term policies for the fight against poverty.</p>	<ul style="list-style-type: none"> - Budgetary support for social spending targeted at food security (UTSA) - Continuation of big projects in the sectors where the EC has gained experience (health, hygiene, education) - Support for key sectors and areas of development where the EC has already gained experience (exports, tourism, economic integration)
Socio-economic development	<p><i>Strengths:</i> Macro-economic recovery policy and Social Emergency Programme accompanied by sector initiatives.</p> <p><i>Weaknesses:</i> Inappropriate labour market (lack of intermediary qualification manpower, huge informal sector), economic slow down, unfavourable terms of exchange.</p>	<ul style="list-style-type: none"> - Capitalisation on the experience gained through support to vocational training (FORTE-PE, PASE) - Budgetary support to social spending targeted at food security (UTSA) - Strengthening the credit component in urban and rural projects.

4. OVERVIEW OF PAST AND ONGOING EC CO-OPERATION

4.1. EC Co-operation

Between 1990 and 2001, co-operation amounted to more than € 276 million in terms of payments¹¹, which places Peru among the principal beneficiaries of Community co-operation in Latin America. Past and on-going EC co-operation with Peru is mainly made up of the two geographical budget lines created by the ALA regulation: Financial and Technical Co-operation and Economic Co-operation, followed by Food Security. A smaller part of the co-operation budget for Peru comes from the environment, tropical forests, co-funding of NGOs, decentralised co-operation, European Initiative for Human Rights and Democratisation, reproductive health, drugs and humanitarian budget lines.

Given the adverse political scenario following the 2000 elections, the Commission took the decision to “freeze” any new co-operation initiative while continuing the on-going projects. In view of the positive political transition, this decision was withdrawn in December 2000 and many projects are in the process of being launched.

The projects carried out by the EC all work towards a principal objective: fighting against poverty. In recent years, there has been a sector development in this respect characterised by the reduction in expenditure on economic infrastructures and the increase in contributions as regards social infrastructures connected to the fight against extreme poverty, projects intended to strengthen institutions, decentralisation, democratisation, Human Rights and the productive capacities of Peruvian people. This change reflects the passage from a situation of social and economic emergency (in the 1980s) to a situation where priority is given to the search for sustainable social and economic development.

4.1.1. Financial and technical co-operation

This budget line focuses on the fight against poverty through the support of strategic areas and the provision of highly qualified technical assistance. The principal fields of co-operation have been and are the following ones:

- Fight against rural poverty, through the implementation of integral projects in areas of extreme poverty. Past projects: *Irrigación Tumbes, Majes II, Inka & Renom, Pampa Puno II*. On-going projects: *Programa Cordillera Negra, Libertad-Cajamarca* (this new project will be implemented with the *corredores económicos* strategy)
- Education, with a special focus on vocational training. Past projects: *PASE*.
- Social infrastructure, in particular through water and sanitation projects and support to the health sector. Past projects: *Agua Potable en Pueblos Jóvenes, Salud Piloto*
- Gender: In this field, the EC implemented projects aiming at fostering the access of women to citizenship. Past projects: *Mujer y Ciudadanía, PROMURCA*.

The EC is also engaged in the areas of alternative crops and fight against urban poverty through the launching of two important projects in 2002: *Pozuzo Palcazu* and *Pobreza Lima*, respectively. The support to the health sector is being strengthened through a bigger project: *Reforma Salud*.

¹¹ Source: CRIS / Europaid Co-operation Office Intranet

4.1.2. Economic co-operation

This chapter is generally intended to strengthen the growth potential of the private sector of the beneficiary country. In the past, the main actions in this field have been oriented towards:

- The strengthening of relations between Peruvian and European SMEs. On-going projects: *Eurocentros*.
- The promotion of exports and investment through support to local companies and the State. On-going projects: *Promoción de exportaciones*.
- The improvement of the competitiveness of some key sectors like tourism, woods and agro-industries. Past projects: *Programa Integrado de Apoyo al desarrollo del sector turismo*.
- The support to vocational training and research. Past projects: *TECSUP, CIPCYT*. On-going projects: *FORTE-PE*

It is also worth mentioning regional projects that are covered by the Andean Regional Strategy Paper (CAN RSP). Some of these projects are carried out within the framework of co-operation with the Andean Community: fight against drugs, co-operation related to customs, as well as other measures to support economic integration in the Andean Community.

Furthermore, there are horizontal programmes with a regional scope through which most of economic co-operation with Peru is channelled, like AL-INVEST, ALFA, URB-AL, @LIS (new programme).

4.1.3. Food Security

Food security constitutes another key sector for EC co-operation, receiving a third of the entire budget for assistance programmes. In recent years, it has become the principal instrument for co-operation in the fight against poverty. This co-operation instrument is very advanced in Peru: it has evolved from direct food aid to budgetary support. This new form of co-operation endeavours to support and strengthen the state budget in the prioritised fields: health, education and local investment programmes. The annual action plans prepared by the relevant ministries are approved by the EC, and the Treasury pre-finances them from the ordinary budget. Once the measures have been carried out and have been checked by the EC, it refunds the Treasury. This method allows for genuine partnership with the Peruvian authorities and institutions. The management of resources and sector programmes are the responsibility of the technical unit for food security (UT-SA), which is supervised by the Delegation.

4.1.4. Other co-operation mechanisms

- Tropical forests: This budget line is relatively important as the eastern flank of Peru lies in the Amazonian basin. A € 7 million project is in execution (*PROMANU*).
- Co-funding of NGOs and decentralised co-operation accounts for *more than 20%* of total EC co-operation and is managed directly from Brussels by means of calls for proposals. During the 1990's an average of 15-20 projects per year *were* funded. These are influential instruments due to their ability to effectively support civil society.
- The European Initiative for Democracy and Human Rights, which benefits from ever-increasing budgets and which is particularly intended to finance actions implemented by NGOs in this field. Within the framework of the *2000-2003 Multi-annual programme of Human Rights in the Andean Community*, the EC has

engaged € 11,375,000, which will add to smaller projects already in execution in the areas of democracy, human rights and support to victims of torture. A more specific line of this budgetary chapter was also used for funding the support programme to the electoral process in 2001.

- Humanitarian and emergency aid is managed by ECHO. In response to the earthquake that took place in the South of Peru in June 2001, ECHO has launched a € 3 million emergency and reconstruction programme. *Considering its high exposure to natural disasters, Peru is also a priority for ECHO's disaster preparedness programme DIPECHO.*
- Other non-geographical budget-lines of less frequent occurrence: reproductive health and HIV/AIDS, environment ...

Annex 3 provides a detailed description of on-going *and engaged* EC projects in Peru and the Andean Community.

4.1.5. Lessons learnt

From past experience, it appears that a higher level of co-ordination and coherence is required between the projects carried out by the EC within the technical/financial budget line and the economic co-operation budget line as well as between these and the other budget lines. This strategic programming exercise and close supervision by the Delegation are expected to address this issue. The change of administration in Peru also caused some difficulties in the implementation of projects. In that sense, The Delegation in Lima is willing to establish stronger co-ordination on co-operation issues with Member States, with other donors, and with the new Peruvian Agency for International Co-operation.

The "Evaluation of EU Development Aid to ALA States"¹² that concentrated on the 1986-1995 period indicated the high relevance of EU co-operation in relation to EU aid policy but also its poor relevance in relation to beneficiary country policies. This report also mentioned the satisfactory level of effectiveness of EC co-operation. The main problems identified were those of efficiency and sustainability for a number of reasons: poor programming, quick identification, inappropriate contracting procedures, regulatory burden, delays in disbursements, management deficiencies, lack of beneficiary country ownership and lack of systematic evaluations. Many measures have been taken since 1995 to improve this situation, and many of the measures that are being implemented presently are directed towards the objective of improving the quality of EC aid: financial and contractual deconcentration to EC Delegations, multi-annual and demand-based programming, sector-based approach and focus on technical assistance, systematisation of information and evaluations.

4.2. Co-operation of EU Member States.

The Member States of the EU have maintained close bilateral relations with Peru for several decades, while it was only in the 1980s that co-operation with this country began. Since then there has been an intensification of regional co-operation from the point of view of economic, social and political development.

EU co-operation funds received by Peru between 1990 and 1998 amounted to € 1,768 million, which makes it the third largest recipient of European aid in Latin America. European contributions account for more than 60% of funds received by Peru. EU co-operation in Peru has experienced a steady growth: in 1998, it amounted to € 188

¹² March 15, 1999. Società Italiana di Monitoraggio

million. Germany, Spain and the Netherlands are among the European countries that are most involved in Peru. They contribute to 86.8% of European co-operation funds for Peru.

Annex 4 summarises the financial contributions of all donors to Peru (including Member States) during the 1990s and annex 5 gives a detailed description of their intervention sectors.

4.3. Other donors

The United States development agency (USAID) and the Canadian agency of international co-operation support the fight against poverty and support for the democratic process. They stress issues relating to gender and environmental problems. The United States focuses on alternative development, food security, the support of small productive capacities and on the border with Ecuador. Canada supports the mining and productive sectors, participates in the reform of the public sector and has also been strongly involved.

Japan and Korea direct their co-operation with Peru towards the economic sector and exports, through the official Japanese organisation for foreign trade (JETRO) and the official development office for Korea (ODA). In 2000, Japan has contributed with 57.000 milliards of dollars in sectors like transfer of technology, planing services etc.

The World Bank (WB), the Inter-American Development Bank (IDB) and the CAF (*Corporación Andina de Fomento*) are international organisations that provide long-term loans to support the State in its structural reforms. They have a macroeconomic prospect for long-term planning, with particular concern for the social aspects. The IDB is executing projects amounting to a total of US\$ 2,108 million, concentrated on transportation, reform and modernisation of the State and social investment sectors. For its part, the EIB has financed two projects to the tune of € 77 million (roads and telephone network).

5. EC RESPONSE STRATEGY

5.1. Objectives of EC- co-operation

The EC response strategy for Peru takes into account the broad development objectives of EC co-operation policies as explained in the introduction. The adoption of a CSP, in which the definition of priorities by sectors is established, should facilitate the concentration of Community funds in those priority areas where, despite government efforts, additional funding or innovative technical assistance are required.

The Community's response strategy takes the government's agenda and its priorities, as well as its own past co-operation experience, into account. In the Peruvian government's agenda, economic, social and political challenges are advanced (see policy agenda) to which Community co-operation seeks to respond.

5.2. EC principles of co-operation

In view of the preceding analysis, and based on the experience of co-operation in Peru in the past, the following principles should be respected in order to ensure greater effectiveness and coherence of EC donor activity:

Firstly, EC contributions should ideally concentrate on key sectors avoiding a proliferation of projects over a large number of areas. This should also contribute to

enhance complementarity and avoid overlapping of international donor activities in the country.

Secondly, while co-operation with the authorities has generally worked well, there may still be a need to better articulate the relationship between the EC and the different Ministers, in particular with the new Peruvian International Co-operation Agency. As stated above, there will be a concentration of efforts on ensuring co-ordination with Member States and other donors.

Thirdly, the EC co-operation strategy will pay close attention to environmental and disaster preparedness issues, so far neglected by the Government, in its main co-operation lines and through more specific instruments.

Fourthly, at the WTO ministerial Conference launching the Doha Development Agenda, it was agreed to provide trade related technical assistance as a central component of the negotiations under that agenda. The Commission will ensure that trade related technical assistance and capacity building be properly integrated into the EU's current and future technical assistance/development co-operation programming.

5. 3. EC priority areas of intervention

In line with the Commission's objectives and considering the likely financial and human resources which will be made available, as well as the challenges posed by Peru's reform process, the priorities for co-operation have been jointly defined on the basis of the following criteria:

- response to medium-term challenges, also in the context of the WTO;
- relevance to poverty reduction and employment creation;
- coherence with the priorities of the government;
- Where possible, support national development through sector support/reform programmes.
- lessons learnt from past experience;
- complementarity with other donors;
- capacity of EC to manage and monitor programmes;

The total indicative budget of co-operation with Peru amounts to € 86 million and it will be concentrated on the following lines of intervention:

Support to the Rule of Law and institutional reform: (+/- 15%) Peru is in full democratic transition and the consolidation of the rule of law, the protection of Human Rights, and the reform of the State are key elements in the democratic consolidation of the Country. The main areas of interest for this sector are: (i) Access to justice, (ii) support to the national reconciliation process, (iii) strengthening of local capacities.

Socio-economic development: (+/- 60%) Peru must improve its economic and productive infrastructure as well as its export capacity. Simultaneously, the country needs to improve the training of its people, in order to ensure the existence of competitive manpower and an interconnection of supply and demand of labour. In that sense, there will be two different intervention sectors :

- 1) Support to productive and trade capacities (+- 30 %)
- 2) Vocational training for work placement (+- 30 %).

In the sector of support for productive and trade capacities, the main areas of interest being considered are: (i) development of economic infrastructures and services, (ii) strengthening of commercial capacities and trade related technical assistance, in the context of the WTO development agenda (iii) creation of an information system and agricultural qualifications as part of the programme to promote productive development in rural areas.

In the second sector, the following areas of interest are being considered: (i) improvement of vocational training, (ii) strengthening of the link between employment supply and demand (iii) increase of competitiveness and the productive capacities of indigenous populations and women in rural areas.

Regional Integration: (+/- 25%). In March 2000, in the framework of the Peace agreements between Peru and Ecuador, the Community committed itself to financing the reconstruction of the Piura-Guayaquil road. This action will contribute to the regional integration of Peru, and help fighting against poverty in the border area.

Other budget lines

In addition to the implementation of its financial, technical and economic co-operation programmes, the Commission plans to continue with the *Food Security Support Programme* (PASA) which will complement the strategy with more focussed actions on the fight against extreme poverty in rural areas through the support of human capacities (health, education) productive capacities (small local investments). As regards other non-geographical lines, like *Environment* and *Tropical Forests*, the focus should be on promoting intra-regional financing of an Amazon Eco-System Conservation Programme, in partnership with other countries e.g. Brazil, Colombia, Bolivia, Venezuela. The added benefit of this approach is its contribution to conflict prevention, for example the necessary co-operation in borderline disputes, and the obvious protection of a key area for world environmental stability. Another mechanism that will be used in the 2002-2006 period in Peru is the Anti Personnel Land Mines budget line (B7-661), which has been provided with a new regulation in 2001¹³, in particular in the area of the border with Equator.

Other non-geographical budget lines like co-funding of NGOs, decentralised co-operation, reproductive health and HIV/AIDS, humanitarian aid / Disaster preparedness, rehabilitation, and the European Initiative on Democracy and Human Rights will continue to launch actions in Peru in co-ordination with the financial/technical and economic co-operation lines.

Regional and horizontal Programmes

Peru will benefit from a number of actions developed on a regional level. In addition to disaster prevention, these address in particular civil society involvement in the regional integration process, the fight against drugs, and TRTA to follow-up on the joint study on EU-CAN trade as well as air safety.

¹³ Regulation 1724/2001 of 23 July 2001

In addition, Peru will benefit from economic co-operation under horizontal programmes for Latin America as a whole that will continue or will begin to be implemented:

- AL-INVEST: promotion of investments in Latin America
- URB-AL: partnership programme between municipalities of Latin America and Europe.
- ALFA: exchange programme between Latin American and European universities.
- @LIS: Alliance for Information Society in Latin America, to start in 2002.

5.4. Coherence/ Consistency with other EU policies

The EU policies relevant to Peru are those concerning environment, trade, consumer protection, drugs, and conflict prevention.

As far as environment is concerned, the EU policy has a very specific impact on Peru. The EC activities in Peru have to be in keeping with the 6th Community Environment Action Programme (6EAP, 2002-2011), which identifies a number of priorities for action: climate change, the depletion of natural resources, and the loss of bio-diversity are among the biggest threats to sustainable development and require global action to solve them. Presently, the Commission promotes the conservation and sustainable management of forests in the Andean region¹⁴.

In the field of trade, Trade and Development is one priority of the Community's Development Policy. In that perspective, the EC will support Peru in its effort to enhance its trade and investment environment, with a view to effectively participating in the multilateral trading system and the global economy, and maximise the benefits for the region.

EC consumer protection policy can cause difficulties for Peruvian exports. This is for example the case for fishmeal, of which Peru is a main exporter. However, as regards sanitary and phytosanitary measures, Peru has to make an effort to respect EC standards. One of the objectives of this co-operation strategy is to help establish a sanitary framework that facilitates Peru's integration into the context of world trade.

Many of the thematic priorities outlined in the conclusions of the Tampere and Feira EU Councils apply to Peru, but the most important external dimension of the EU's justice and home affairs policies is that of the EU drugs policy. In this respect, it will be important, where possible, to fine-tune the Alternative Development programmes with the relevant drug-related policies (drugs, organised crime, money laundering, etc). In the case of crop substitution, the export potential of the chosen agricultural products will have to be carefully assessed (be it at a regional or international scale – see the previous paragraph).

As regards coherence with other EC budget lines, this response strategy is adapted to the ambitions of the EC in the field of food security. In fact, the food security programme (PASA) carried out in Peru over many years is based upon the same principles of geographic and sector focus. The PASA programme will continue to be implemented from 2001 onwards. The Commission plans to give to PASA the

¹⁴ In line with the Commission's Communication on "Forests and Development: The EU approach" (COM1999 (554), which provides EU assistance to developing Countries for the conservation and sustainable management of their forests.

possibility of implementing one part of the Programme “A Trabajar” (the components on strengthening local capacities and development of economic infrastructures)

The response strategy in its democratisation and strengthening of the rule of law component is complementary through bilateral aid to the more decentralised co-operation coming from the European Initiative for Democracy and Human Rights, recently re-defined with the Council Regulations N° 975/1999 and 976/1999 of 29 April 1999.

Finally, all the activities envisaged in this response strategy will be coherent with the priorities of the aid channelled through NGOs, in particular with the chapters B7-6000 (co-funding to NGOs) and B7-6002 (decentralised co-operation) that aim to apply the same principles of sustainability and integral approach to poverty on a more local level. Coherence is also ensured with the activities of ECHO, which are mainly directed towards reconstruction following humanitarian emergencies.

5.5. Complementarity with other donors

Most of EU Member States prepare currently (2001-2002) their own strategy of co-operation with Peru for the coming years.

In 2001, the Peruvian Government announced a Social Productive Emergency Programme, “*A Trabajar*”, intended for projects requiring intensive and temporal manpower (construction of rural infrastructure, channels, water tanks, recovery of arable grounds, reforestation).

As a result, at the Madrid Donors' Conference in October 2001, important commitments were made for the coming years in support of this programme as well as of other co-operation initiatives in Peru. The different pledges are explained in the table on annex 6. It should be added that very significant commitments have been made by the most important multilateral donors (World Bank: US\$ 1,220 million; IDB: US\$ 644 million¹⁵; CAF: US\$ 382 million).

Moreover, some other international organisations define now (2001-2002) their co-operation priorities:

- The Commission itself has announced € 40 million as a specific support to the objectives of the “*A Trabajar*” Programme. In fact, the Commission has been the first to negotiate the priorities for co-operation in the framework of this Programme. In this respect, priority will be given by the Commission to the education sector, in particular vocational training, economic infrastructure and strengthening of local capacities.
- Recently, Germany has presented its 2-year Programme for 2002-2003 with a total amount of 100 million USD, the 3 main sectors being water and sewerage, democracy and reform of public administration and sustainable rural development. The Commission and Member States will co-ordinate closely, particularly in the common sectors of co-operation.
- France will contribute with € 25 million (debt swaps and investments), € 1,1 million to the Reconstruction Programme of Moquegua, and actions of administrative co-operation in the sector of decentralisation and institutional reform.

¹⁵ Inter-American bank of Development, www.iadb.org/excr/pdf/lending.pdf

- The World Bank is preparing a loan programme (around USD 350 million for 2002) foreseeing a long-term employment strategy as well as the modernisation of the State and decentralisation.
- The IDB has now announced to augment its above-mentioned contribution to USD 680 million for 2002, and its main priorities will be fiscal stability, competitiveness and decentralisation.
- CAF priorities will be economic infrastructures.
- USAID (USD 160 Million in 2002) will focus on democracy and institutions.

It results from the above-mentioned pledges that Community priorities have been complementary to those selected by other donors.

6. NATIONAL INDICATIVE PROGRAMME

The National Indicative Programme (NIP) covers co-operation priorities in connection with budget lines B7-310 (financial and technical co-operation with the developing countries of Latin America) and B7-311 (economic co-operation with the developing countries of Latin America). The indicative work programme is dependent on the availability of the annual budgetary resources. The final selection of projects and corresponding amounts will be made according to the results of identification and detailed preparation work managed by the Commission.

6.1. Objectives and fields of implementation

The proposed NIP is based on the co-operation strategy presented above as well as the legal measures established in the 1998 Framework Agreement between the European Community and the Andean Community of Nations (Bolivia, Venezuela, Ecuador, Colombia and Peru).

6.2. Summary of the strategy and its priorities

The co-operation strategy was drafted following an analysis of the country, which gives great importance to the Peruvian government's priority sectors. The objectives of the government include consolidating democracy and the rule of law, socio-economic development including education and health. The Peruvian Government receives funding to help achieve these objectives.

Community co-operation will be distributed as follows:

- Support for the Rule of Law and institutional reform
- Socio-economic development
- Regional integration

Furthermore, measures must be taken to guarantee that the projects initiated within the context of the new Country Strategy Paper can be completed on time. For that reason it is essential to conclude the negotiations between the EC and Peru for the approval of the Framework Financial Agreement.

The axes identified to cover these dimensions coherently are the following:

Support to the Rule of Law and institutional reform: (+/- 15%) The following sub-sectors are being considered: (i) access to justice, (ii) support to the national reconciliation process (iii) strengthening of local capacities.

Socio-economic development: (+/- 60%) There are two sectors: 1) support to productive and trade capacities and 2) vocational training for work placement. In the first sector, the following areas of interest are being considered: (i) development of economic infrastructures and services (ii) strengthening of commercial capacities and trade related technical assistance, (iii) creation of an information system and agricultural qualifications as part of the programme to promote productive development in rural areas. In the second sector, the following areas of interest are being considered: (i) improvement of vocational training, (ii) strengthening of the link between employment supply and demand (iii) increase of the competitiveness and the productive capacities of indigenous populations and women in rural areas.

Regional integration: (+/- 25%). This action involves improvements in the infrastructure of the Peruvian section of the Piura-Guayaquil road.

Finally, it should be added that vocational training, the development of economic infrastructures and services, and the strengthening of local capacities represent the aid promised by the EC for the “A Trabajar” programme at the Donors' Conference held in Madrid on 22 October 2001.

6.3. Indicative Budget

The NIP for co-operation with Peru for the period 2002-2006 has an indicative budget of approximately € 86 million. This budget is divided between the line B7-310 (financial and technical co-operation) and the line B7-311 (economic co-operation).

6.3.1. Support to the Rule of Law and institutional reform (+/- 15%)

The respect for the rule of law is essential for democracy and the development of a market economy, particularly in the current phase of transition. The new government has committed itself to reform the State in order to narrow the gap between the authorities and the population and ensure a more efficient administrative system:

Area of interest 1 – Access to justice

The objective of this action is to promote access to justice on a national scale as a means of strengthening of the rule of law. It will be designed to support extra- legal methods of conflict-resolution and the first “layers” of formal justice. In order to be successful, any intervention in this sub-sector should consider the situation of the various institutions involved in the Peruvian judiciary system as well as other institutions like Justices of the Peace and Conciliation centres.

Area of interest 2 – Support to the national reconciliation process

The EC will support initiatives intended to promote national reconciliation following more than 20 years of political violence. The EC might finance certain activities of the “Truth and Reconciliation Commission” (e.g. communication and education activities, proposals on institutional reforms).

Area of interest 3 – Strengthening of local capacities

This is the fourth component of the “A Trabajar” programme and is a good way of providing local authorities with a technical base before they have to deal with the new responsibilities as a result of the decentralization process. The EC will also support the Peruvian International Co-operation Agency in its mandate to strengthen local and regional capacities to plan and identify needs as well as manage international co-operation.

In order to maximise coherence between our actions and the “A Trabajar” programme, the regions, provinces and departments of intervention for this action must be those in which the action is carried out to support the economic corridors so that it would be possible to encapsulate all in a single programme.

The *indicators* that will be taken into account when implementing these measures are the following:

- delegation of central powers to districts and rural areas;
- the projects carried out by the districts and the policies implemented as a result of the "mesas de concertación";
- the number of people that resort to alternative justice;
- the consolidation of the co-operation agency.

6.3.2. Socio-economic development (+/- 60%)

The purpose of EC support for the socio-economic development of Peru is to strengthen the integration of the domestic economy, to increase the national income by increasing exports and to support key development sectors. Simultaneously, the country needs to improve the training of its people, in order to ensure the existence of competitive manpower and an interconnection of supply and demand of labour.

Sector 1) Support to productive and trade capacities

Area of interest 1 – Development of economic infrastructures and services

One of the Peruvian Government's principal strategies in the fight against rural poverty is to support “economic corridors” that cover urban and rural geographic areas, the strengthening of which would have an impact on poor rural areas of the country. Intervention in one or more of the ten “economic corridors” identified by the “A Trabajar” programme is a priority. The EC will support one or more of these “economic corridors”, paying special attention to the aspects related to strengthening local productive capacities, local authorities and stakeholders.

Area of interest 2 - Strengthen the commercial capacities and trade related technical assistance.

The EC will support Peru in its efforts to enhance its trade and investment environment, with a view to effectively participating in the multilateral trading system and the global economy:

- The EC will support Peru in its efforts to build up its regulatory, legislative, and institutional capacities to implement and apply its WTO commitments in fields such as TBT/SPS, trade Related Intellectual Property Rights (TRIPS), and Customs Valuation.
- With regard to the Doha Development Agenda the EC will provide support to Peru for capacity building measures in key areas such as trade facilitation, trade and competition and trade and investment.
- The EC will also support Peru in its efforts to increase its capacity to participate in the negotiations.
- Quality control and health services must be improved. Therefore support for official services (DIGESA, SENASA, etc.) should be incorporated in order to improve control and follow-up with the objective to promote exportations (quality, standards, etc). Support will also be given to other actions that promote access to

- the European market, such as the simplification of tariffs, customs co-operation, the Andean use of the SPG etc.,
- Support to commercial intelligence.

Area of interest 3 – *The creation of an information system and agricultural qualifications.*

The Ministry for Agriculture is currently in the process of restructuring. The axis of this restructuring rests on a new conception of agricultural agencies to provide basic information and qualification services for rural producers.

This action will focus on providing information for small farmers on markets (national as well as international), financing possibilities and technology available.

The *indicators* that will be taken into account in the implementation of these activities are:

- the setting-up of the "economic corridors";
- an increase in trade flows in the beneficiary areas;
- the development of potential productive sectors;
- the number of farmers that actively use agricultural information services.
- Enhanced WTO implementation and participation

Sector 2) *Vocational training for work placement*

The EC co-operation with Peru in the field of education must utilise experiences from past participation in educational projects; promote processes that the aforementioned projects began, institutionalise the results and extend and improve? their implementation in order to ensure their social impact; contribute to the design of a legal and institutional framework that strengthens and develops the educational sector.

Those involved in the development of the projects will be first and foremost, the Ministries of Education, Employment and Industry, the public centres of technical and vocational education, public teacher-training centres (higher institutes), universities amongst others that have developed specific capacities in vocational training or intercultural bilingual education, and finally the business sector involved in vocational training centres. An important focus will be given to women in relation to the gender problem existing in Peru.

Area of interest 1 – *Improvement of vocational training*

To ensure a significant and lasting impact, and to accumulate and articulate progress achieved by projects in the past, the following objectives must converge:

- restructure the vocational training centres so that they are more versatile, efficient and appropriate for the situation;
- initiate or consolidate, as the case may be, the implementation of the new model of vocational training, proposed by previous projects;
- ensure continuous training for teaching staff and continue the process of training others;
- improve and update equipment in the centres;
- initiate or consolidate links between educational centres and the business community so that co-operation strengthens both and invigorates the economy;
- consolidate an adequate management of vocational training in the Ministry of Education that will ensure the interaction of this training with other sectors of the educational system.

Area of interest 2 – *Encourage the link between employment supply and demand.*

One of the major difficulties that people face, once finished their studies in the vocational training centres is to find stable, remunerated employment. This area of interest will promote the following activities, with the help of the Ministries for Education, Employment and companies: establish agreements between vocational training centres and SMEs in order to guarantee that diplomas obtained in accredited vocational training centres translate into stable jobs, promote the work placement capacities of unemployed young people and the under-employed population, support SMEs in their efforts to attain this objective.

Area of interest 3 - *Introduce qualifications to increase the competitiveness and the productive capacities of indigenous populations and women in rural areas.*

In view of the relative disadvantageous situation and lack of opportunities for indigenous populations and rural women, the objective of this action is to increase their competitiveness and productive capacities through qualifications thus generating employment and improving income levels for families in extreme poverty. The areas of interest to develop will include the following: specific and targeted training for rural women and indigenous people in order to promote a smooth integration into the labour markets; support to the bilingual education programme;

The indicators are the following:

- the real link between the labour market and the teaching centres (given the number of people that get a new job following a period of vocational training);
- the increase in vocational training centres, registered pupils and retrained teachers;
- unemployed and indigenous young people and women entering the employment market with positions essential to the further development of these excluded populations.

6.3.3. Regional integration (+/- 25%)

Support to the improvement of the Piura-Guayaquil road is part of the commitment that the Commission made to the Peruvian Government at the donors conference of March 2000. The objective of this action is to contribute to regional integration. The Peruvian Government views improvements in the road network as key to sustained macro-economic growth which, in concert with its pro-poor re-distributive policies for public expenditure, can accelerate the process of poverty reduction in the country. This will in turn promote trade on the border regions, peace between Peru and Ecuador and, ultimately, poverty alleviation.

The *indicators* that will be taken into account in the implementation of these activities will be:

The result from the feasibility study that will guarantee the sustainable implementation of the project.

ANNEX 1.a.- PERU IN THE CONTEXT OF THE ANDEAN COMMUNITY

Country	GDP/cap (at constant prices of 1995 ¹⁶ (in USD)	GDP Growth rate (at constant prices of 1995)	Total population (in thousands)	Urban population (% of the total population)	Population growth rate (1995-2000)	Households living in poverty ¹⁷ (% of total households)
Bolivia	959.7	2.0	8,329	64.6	2.3	-
Colombia	2,267.8	3.0	42,321	73.7	1.9	45.0
Ecuador	1,404.4	2.0	12,646	62.7	2.0	-
Peru	2,346.5	3.1 ¹⁸	25,662	73.0	1.7	54.1
Venezuela	3,036.8	3.5	54,170	87.4	2.0	42.0

Source: *Statistical directory of Latin America and the Caribbean 2000*, CEPAL, 2000

¹⁶ Figures of 1999

¹⁷ Figures of 1997

¹⁸ Figure of 2000 according to PromPerú

ANNEX 1.b. - PERU: MAIN ECONOMIC FIGURES

POVERTY and SOCIAL	Peru	Latin America & Carib.	Lower-middle-income	Development diamond*		
		516	2,046			
2000						
Population, mid year (millions)	25.7	516	2,046			
GNI per capita (Atlas method, US\$)	2,060	3,680	1,140			
GNI (Atlas method, US\$ billions)	53.4	1,895	2,327			
Average annual growth, 1994-00						
Population (%)	1.7	1.6	1.0			
Labor force (%)	2.9	2.3	1.3			
Most recent estimate (latest year available, 1994-00)						
Poverty (% of population below national poverty line)	54	..	..	
Urban population (% of total population)	73	75	42			
Life expectancy at birth (years)	69	70	69			
Infant mortality (per 1,000 live births)	39	30	32			
Child malnutrition (% of children under 5)	8	9	11			
Access to an improved water source (% of population)	77	85	80			
Literacy (% of population age 15+)	10	12	15			
Gross primary enrollment (% of school-age population)	123	113	114			
Male	..	..	116		
Female	..	..	114		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS						
	1980	1990	1999	2000		
GDP (US\$ billions)	20.7	26.3	51.6	53.5		
Gross domestic investment/GDP	29.0	16.5	21.5	20.1		
Exports of goods and services/GDP	22.4	15.8	14.8	16.0		
Gross domestic savings/GDP	32.0	16.4	19.2	18.2		
Gross national savings/GDP	..	..	18.0	17.3	
Current account balance/GDP	-0.5	-5.4	-3.7	-3.0		
Interest payments/GDP	3.2	0.3	2.7	3.0		
Total debt/GDP	45.4	76.3	54.5	53.0		
Total debt service/exports	44.5	11.0	45.5	44.9		
Present value of debt/GDP	..	..	61.8	..	
Present value of debt/exports	..	..	385.6	..	
	1980-90	1990-00	1999	2000	2000-04	
(average annual growth)						
GDP	-0.1	4.7	0.9	3.1	4.0	
GDP per capita	-2.2	2.9	-0.8	1.4	2.3	
Exports of goods and services	-0.9	8.5	7.6	7.9	5.5	
STRUCTURE of the ECONOMY						
	1980	1990	1999	2000		
(% of GDP)						
Agriculture	10.2	8.5	8.5	8.6		
Industry	42.0	27.4	30.2	29.7		
Manufacturing	20.2	17.8	16.0	15.6		
Services	47.8	64.1	61.3	61.7		
Private consumption	57.5	73.7	69.9	70.6		
General government consumption	10.5	7.9	10.9	11.2		
Imports of goods and services	19.4	13.8	17.1	17.9		
	1980-90	1990-00	1999	2000		
(average annual growth)						
Agriculture	3.0	5.8	12.6	6.4		
Industry	0.1	5.4	-0.3	3.4		
Manufacturing	-0.2	3.6	-0.5	6.7		
Services	-0.4	4.0	0.0	2.4		
Private consumption	0.7	4.0	-0.4	3.9		
General government consumption	-0.9	5.2	3.5	5.1		
Gross domestic investment	-3.6	7.4	-13.4	-3.7		
Imports of goods and services	-3.2	9.0	-15.2	3.6		

Note: 2000 data are preliminary estimates

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

ANNEX 2 - FOREIGN DIRECT INVESTMENT / SECTOR 1993-2000

PRELIMINARY FIGURES AS OF 31/12/2000¹⁹

In millions of USD

Sector	1993	1994	1995	1996	1997	1998	1999	2000
Agriculture	4.82	4.82	7.66	7.20	7.70	26.22	41.92	44.18
Commerce	227.60	256.85	264.67	379.91	434.00	497.95	545.78	567.76
Communications	0.12	2,003.11	2,005.06	2,006.66	2,024.75	2,098.66	2,347.11	2,617.27
Construction	3.72	3.93	13.53	29.77	31.64	42.74	52.01	54.80
Energy	3.43	364.82	364.82	748.63	1,283.47	1,382.83	1,535.30	1,555.57
Finances	191.07	234.74	493.56	679.04	778.69	919.87	1,399.82	1,397.73
Industry	516.75	569.30	709.33	1,039.38	1,249.68	1,366.83	1,442.89	1,473.74
Mines	565.40	875.67	1,047.07	1,145.37	1,230.76	1,371.70	1,666.37	1,669.18
Fishing	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Oil	58.95	59.03	60.84	94.46	103.59	134.94	97.93	97.93

¹⁹ Source: CONITE

**ANNEX 3 - ON-GOING AND ENGAGED EC COOPERATION WITH PERU
AND THE ANDEAN COMMUNITY (ECHO not included)**

Nº de proyecto	Título	Aporte CE EURO	Inicio	Fin	Contraparte
Binacional					
Arranque					
B7-310 - Cooperación Financiera y Técnica					
ALR/B7-3100/2000/005	ESTUDIOS CARRETERA Ministerios de Obras Públicas	2,800,000			
	PIURA-GUAYAQUIL				
	Sub-total por línea en EUROS	2,800,000			
	Sub-total en EUROS	2,800,000			
Perú					
Arranque					
B7-310 - Cooperación Financiera y Técnica					
PER/B7-310/IB/98/0253	DESARROLLO ALTERNATIVO CONTRADROGAS	28,000,000			
PER/B7-310/97/209	SALUD MINSA	12,500,000			
PER/B7-3010/95/130	POBREZA LIMA MINPRE	12,000,000			
	Sub-total por línea en EUROS	52,500,000			
B7-311 - Cooperación Económica					
PER/B7-3011/95/108	FORMACION - MRREE MRREE	500,000			
	Sub-total por línea en EUROS	500,000			
	Sub-total en EUROS	53,000,000			
Ejecución					
B7-200 - Ayuda/Seguridad Alimentaria (B7-5011)					
PASA/99-01	SEGURIDAD ALIMENTARIA	30,000,000	12/06/1997	31/12/2001	
	MEF				
	Sub-total por línea en EUROS	30,000,000			
B7-310 - Cooperación Financiera y Técnica					
PER/B7-310/IB/96/130	CORDILLERA NEGRA	16,000,000	30/10/1997	29/10/2003	
	CTAR-ANCASH				
PER/B7-310/97/238	LA LIBERTAD - CAJAMARCA	8,500,000			
	MINPRE				
	Sub-total por línea en EUROS	24,500,000			
B7-311 - Cooperación Económica					
PER/B7-3011/95/004	FORTE-PE	9,000,000	12/01/1998	11/01/2003	
	MED				
	Sub-total por línea en EUROS	9,000,000			

Nº de proyecto	Título	Aporte CE EURO	Inicio	Fin	Contraparte
B7-6000 - Cofinanciación ONGs					
ONG/PVD/1999/763/CS PUNTO DI FRATERNITA	CIUDAD DE LOS NIÑOS LIMA	966,197	12/01/2000	11/04/2004	
ONG/PVD/1999/447/U WUS-UK	NIÑOS DE LA CALLE AYACUCHO Y LIMA	355,288	17/10/1999	11/01/2004	
ONG/PVD/1998/536/SP ASOCIACION ENTRECULTURAS - FE Y ALEGRIA	FORMACION LABORAL EN CONOS DE LIMA	218,299	19/02/1999	18/02/2002	
ONG/PVD/1998/155/FR KZE	DRI URUBAMBA Y CALCA	500,000	23/06/1998	23/09/2002	
ONG/PVD/1997/354/CS MANOS UNIDAS (SP) / NE)	ACTIVIDADES DE CIPCA EN GRAU CORDAID	987,761	11/02/1998	11/05/2002	(
ONG/PVD/2001/654/CS MEDICUS MUNDI NAVARRA (SP) FUNDACION ALBOAN (SP)	DES. COMUN. CAMPESINAS HUANCAVELICA	1,394,341	01/09/2001	30/08/2005	/
ONG/PVD/1999/1184/S INTERMON	PROMOCION DE PYMES CUSCO	358,746	03/04/2000	02/04/2003	
ONG/PVD/1999/1183/F KZE	MICRO CREDITO DESARROLLO LOCAL CEAS	482,353	04/02/2000	03/05/2004	
ONG/PVD/1999/162/FR DWHH	PRODUCCION AGRICOLA EN MALA	450,000	18/02/2000	17/02/2003	
ONG/PVD/1999/46/NE CORDAID	SALUD CHIMBOTE	132,564	28/05/1999	27/05/2002	
ONG/PVD/1999/37/AU HORIZONT 3000	SECTOR CUERO Y CALZADO TRUJILLO	151,029	08/04/1999	07/04/2002	
ONG/PVD/1999/18/FR FDH	PROMOCION PYMES CONO ESTE	291,497	19/04/1999	18/04/2002	
ONG/PVD/1998/713/CS CORDAID (NE) / CCFD (FR) ESTE	MICRO CREDITO A LA MUJER CONO	678,143	03/02/1999	02/02/2002	
ONG/PVD/2001/101/CS ITDG (UK) / SI (SP)	DRI CUENCA LLAUCANO CAJAMARCA	1,956,659	01/04/2002	31/03/2007	
ONG/PVD/1999/663/SP CODESPA	CAPACITACION DE JOVENES CALLAO	496,222	07/02/2000	06/05/2004	
ONG/PVD/1998/875/FR ORT-D	PROMOCION PYMES EN SMP Y LOS OLIVOS	294,851	19/07/1999	18/07/2002	
ONG/PVD/1999/26/FRG BFDW	DRI EN SAN JOSE	438,608	17/07/2000	16/07/2003	
ONG/PVD/1997/396/FR MDM	E.S.T. EN IQUITOS	399,835	14/07/1997	14/03/2002	
ONG/PVD/1996/328/S CSA	DRI Y DESPLAZADOS PALCA Y HUANDO	336,992	19/02/1997	19/08/2002	
ONG/PVD/2001/236/FR EZE	KUNTUR HUASI 2000 - RIEGO PUCLUSH	458,434	27/12/2002	30/06/2005	
ONG/PVD/2000/871/IT CESVI	DES. COMUNITARIO EN MADRE DE DIOS	307,016	31/01/2001	30/01/2004	
ONG/PVD/2000/705/FR DWHH	DES. SOSTENIBLE EN AVELINO	428,728	03/01/2001	02/01/2005	

	CACERES			
ONG/PVD/2000/551/IT	RECONSTRUC. CENTRO PROMOCION PUNTO DI FRATERNITA	329,775	26/01/2001	25/01/2003
	PALPA			
ONG/PVD/2000/528/LU	MUJER Y DESARROLLO LOCAL PPJJ ASTM	58,051	26/01/2001	25/05/2004
	LIMA			
ONG/PVD/2000/142/BE	PESCA ARTESANAL LIBERTADORES BROEDERLIJK DENLE	449,503	25/01/2001	24/01/2004
	WARI			
ONG/PVD/1998/147/FR	PRODUCTION AGRICOLE QUINCHAYO DWHH	353,225	03/02/1999	02/02/2002
ONG/PVD/1999/1211/F	FORTALECIM. CAPACID. ENE Y KZE	422,736	26/01/2000	25/01/2003
	TARAPOTO			
ONG/PVD/1997/9/LU	COMERC. Y PROD. AGRICOLA ESPINAR ENG BRECK MAT	81,209	17/04/1997	17/10/2002
				L
ATAEINAMERIKA				
ONG/PVD/1998/110/FR	INFRASTRUCTURES APURIMAC CARE-D	500,000	28/08/1998	27/02/2004

Nº de proyecto	Título	Aporte CE EURO	Inicio	Fin	Contraparte
ONG/PVD/2000/299/A HORIZONT 3000	PROG.AGRIC. SEG.ALIM LORETO S.MARTI	449,083			
ONG/PVD/1999/27/UK CUSICHACA TRUST	DRI PAMPACHIRI	359,552	27/04/1999	26/07/2003	
ONG/PVD/2000/158/CS HIVOS (NE) / CORDAID	PROD. AGRICOLA 4 COMUNIDADES (NE) CUSCO	1,000,000	29/12/2000	28/12/2004	
ONG/PVD/2000/162/U WUS-UK	EDUCAC. CUSCO,CAJAM., IQUITOS,PIURA	433,703	07/12/2000	06/12/2003	
ONG/PVD/2000/270/FR AAL	TALLER SILLAS DE RUEDAS AREQUIPA	123,344	29/11/2000	31/12/2003	
ONG/PVD/2000/298/BE FOS	APOYO A ORGANIZACIONES CAMPESINAS	308,807	29/11/2000	28/05/2004	
ONG/PVD/1998/30/UK CHRISTIAN AID	DEVELOPPEMENT LA OROYA	450,000	14/01/1999	13/04/2003	
ONG/PVD/2000/300/FR EZE	PRODECAR CARAVELI	449,578	20/12/2000	19/06/2004	
ONG/PVD/2000/448/FI FCA	DESARROLLO RURAL HUAMALIES	505,000	21/12/2000	20/12/2005	
ONG/PVD/2000/468/SP INTERMON	ACCESO MUJERES MERCADO LABORAL LIMA	302,343	02/08/2001	30/06/2005	
ONG/PVD/2000/495/SP EDEX	DESARROLLO JOVENES Y MUJERES LIMA	198,797	08/01/2001	01/03/2004	
ONG/PVD/2000/276/U ITDG	PYMES EN PROBLEMAS LIMA HUANCAYO	490,011	30/03/2001	29/03/2006	
	Sub-total por línea en EUROS	19,348,280			
	B7-6002 - Cooperación Descentralizada (ex B7-6430)				
B.7.6002-CDC-2001-9 ITDG	STRENGTHENING CITIZEN PARTICIPATION	250,000	16/11/2001	17/02/2004	
	Sub-total por línea en EUROS	250,000			
	B7-6201 - Bosques Tropicales (antes B7-5041)				
PER/B7-5041/I/95/020 INRENA-CTAR/MD	PROMANU	7,000,000	18/06/1998	17/12/2003	
	Sub-total por línea en EUROS	7,000,000			
	B7-704 - Democracia y Derechos Humanos				
DEM/PER/B7-704/99/02 SAVE THE CHILDREN FUND	JUVENILE NETWORKS	151,193	01/09/2000	01/09/2002	
DEM/PER/B7-704/2000/ CNDDHH	ATENCION PSICOTERAPEUTICA	586,258	01/01/2001	31/12/2003	
	Sub-total por línea en EUROS	737,451			
	Sub-total en EUROS	90,835,731			

Secretaría General

Arranque

	B7-311 - Cooperación Económica				
ASR/B7-311/IB/96/188 SEC. GENERAL	CALIDAD - CAN	2,300,000			

ASR/RELEX/2001/0131	ESTUDIO RELACIONES ECON. Y Secretaría General de la CAN COMERC.	500,000
ASR/B7-3110/IB/98/009	COMPETENCIA - CAN SEC. GENERAL	2,000,000
	Sub-total por línea en EUROS	4,800,000
	Sub-total en EUROS	4,800,000

3

Nº de proyecto	Título	Aporte CE EURO	Inicio	Fin	Contraparte
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Ejecución

	B7-311 - Cooperación Económica				
ASR/B7-311/IB/96/126	GRANADUA - CAN SEC. GENERAL	1,900,000	15/05/2000	31/12/2001	
	Sub-total por línea en EUROS	1,900,000			
	Sub-total en EUROS	1,900,000			
	Total General en EUROS	153,335,731			

**ANNEX 4 - FINANCIAL CONTRIBUTIONS OF DONORS TO PERU IN THE
1990s**

(Only grants)

COOPERACION TECNICA INTERNACIONAL											
		Montos Ejecutados Miles de \$ USA (1999-2000)									
FUENTES	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
BILATERALES	285.515	632.315	416.802	143.162	143.764	173.94	180.048	224.851	239.530	231.800	
ALEMANIA	13.877	13.514	15.179	7.507	11.453	18.839	24.348	22.320	12.300	11.000	
AUSTRIA	0	0	0	0	0	0	99	90	0	0	
BELGICA	0	0	0	198	190	0	309	310	200	20	
CANADA	21.865	19.500	16.250	8.718	11.676	9.874	30.467	20.774	7.000	7.000	
COREA DEL SUR	0	0	0	0	0	350	53	498	220	1.220	
DINAMARCA	831	51	0	82	0	132	867	976	0	0	
ESPAÑA	15.459	14.224	13.349	5.129	4.722	2.523	3.347	11.755	25.100	21.000	
ESTADOS UNIDOS	70.719	94.734	106.706	57.398	56.442	58.619	84.770	106.795	115.000	105.000	
FINLANDIA	6.410	3.990	1.990	160	2.930	600	220	220	670	1.200	
FRANCIA	2.955	1.314	11.260	298	272	620	1.387	488	940	780	
HOLANDA	29.114	15.407	44.447	5.321	6.534	5.553	7.062	7.909	12.500	10.900	
ITALIA	72.405	42.797	27.497	4.429	535	226	129	12.211	2.750	6.500	
JAPON	49.543	424.517	175.883	44.871	40.573	62.657	10.782	25.790	35.020	57.000	
LECHTENSTEIN	0	0	0	70	468	316	262	338	0	0	
REINO UNIDO	1.527	1.540	1.459	3.763	3.480	3.107	2.101	2.098	3.500	2.000	
SUECIA	3.98	5.79	3.62	3.88	8	3.94	4.64	3.12	3.37		
SUIZA	7.212	4.667	4.733	4.532	6.653	11.046	13.288	12.087	9.000	9.000	
NUEVA ZELANDIA	8	0	0	0	0	0	0	0	0	0	
Otros (1)	0	0	0	762	676	80	777	412	0	0	
MULTILATERAL	395.439	179.082	333.795	70.335	62.421	67.008	38.280	70.177	54.210	52.700	
BANCO MUNDIAL	0	0	0	1.925	2.688	84	0	1.292	1.050	1.780	
BID	327.196	94.312	231.451	5.092	5.952	8.334	880	1.071	6.660	6.180	
Corporación Andina de Fomento - CAF	584	429	440	370	1.116	340	0	14	0	0	
Comisión Económica para América Latina y el Caribe	0	4	9	0	0	0	0	0	0	0	
FAO	380	948	1.014	156	121	452	1.362	1.552	2.360	2.360	
PMA	7.223	8.301	13.635	13.045	6.013	15.358	2.742	10.473	3.900	2.000	
PNUD	2.487	2.937	2.176	378	568	70	341	499	1.080	1.080	
PNUMA	0	0	0	21	17	57	38	34	0	0	
PNUFID	0	0	0	5.343	5.899	3.851	0	0	2.610	2.610	

UNESCO	0	0	0	80	126	35	0	136	110	110
UNFPA	993	938	1.088	1.099	1.706	1.755	2.794	2.111	3.000	3.000
UNICEF	0	4.712	5.700	3.584	1.632	1.609	118	2	8.640	8.630
UNION EUROPEA	44.788	53.906	60.269	35.320	29.732	32.016	22.184	46.163	22.300	22.000
OEA	573	484	808	183	815	106	125	247	1.000	730
OIT	283	240	85	0	0	0	0	0	0	0
OIEA	0	0	0	442	813	780	893	1.016	0	0
OPS/OMS	4.847	5.323	6.035	835	889	180	6	14	0	0
ONU	0	0	380	0	0	0	0	0	0	0
UNDCP	4.475	3.719	7.508	0	0	0	0	0	0	0
ONUDI	74	89	163	0	261	0	0	0	0	0
UNIFEM	151	0	4	11	1.762	8	6.352	4.759	0	0
IICA	91	173	585	0	0	0	0	0	0	0
OIM	1.294	2.567	2.445	2.451	2.311	1.973	445	794	1.500	2.220
ONG's	22.085	15.541	14.343	47.344	53.841	46.887	45.808	59.147	60.000	69.970
Total	703.039	826.938	764.940	260.841	260.026	287.837	264.136	354.175	353.740	354.470

FUENTE: 1991 – 1993 Evaluación CTI Publicada por PNUD

1994 – 1998 Evaluación CTI publicada por SECTI / PCM

1999 - 2000 montos preliminares, se tendran cifras exactas cuando la SECTI concluya la Evaluación Global de la CTI

Nota: Los datos consignados para el BID (1991-1993) han sido tomados del Informe Cooperación para el Desarrollo-PNUD, y consideran cooperación financiera y técnica.

Las cifras del periodo 1994-2000 corresponden a datos consignados por las propias unidades ejecutoras en las evaluaciones globales.

ANNEX 5 - CO-OPERATION OF DONORS BY SECTORS

	Santé	Education	Infrastructures publiques	Agriculture	Secteur productif	Environnement	Culture	Drogues	Genre	Sécurité alimentaire	Droits de l'homme et démocratisation	Humanitaire	Montants exécutés en 2000 (milliers de USD)
Etats Membres													
Allemagne	X	X	X	X	X	X		X		X	X	X	11.000
Autriche	X	X			X								N/d
Belgique			X	X	X	X		X	X		X		20
Espagne		X		X	X	X	X				X		21.000
Finlande				X		X		X		X			N/d
France	X	X			X		X			X		X	780
Grèce						X	X						N/d
Italie	X	X	X	X	X	X						X	6.500
Pays Bas	X		X	X	X	X			X		X		10.900
Portugal								X					N/d
Royaume Uni	X	X		X	X			X	X		X		2.000
Suède											X		380
Autres bilatéraux													
Canada					X	X			X	X	X		7.000
Corée	X	X			X								1.220
Etats Unis	X	X	X	X	X	X		X	X	X	X	X	105.000
Japon	X	X			X		X		X				57.000
Suisse			X	X	X	X					X	X	9.000
Multilatéraux													
Banque Mondiale (donations)						X					X		1.780
BID (donations)		X	X	X	X	X							6.180
UNFPA	X								X		X		3.000
UNICEF	X	X									X		8.630
PMA		X		X	X				X	X			1.080

ANNEX 6 - TABLE OF PLEDGES – MADRID DONORS CONFERENCE

OCTOBER 22, 2001

TABLE OF PLEDGES AND FUTURE COMMITMENTS

Conversion	Country	Grants	Concessional	Debt Swaps	Loans	Total
0=US\$ to US\$						
1=EUR to US\$						
2=NIM to US\$						
1	Spain	49.6	212.4	9.0	-	271.0
1	Belgium	20.5	-	-	-	20.5
0	Canada	32.7	-	-	-	32.7
0	Denmark	-	-	-	-	-
1	Finland	1.4	-	-	-	1.4
1	France	-	-	-	-	-
1	Germany	13.6	-	22.6	-	36.1
0	Italy	10.0	14.0	127.0	-	151.0
0	Japan	-	-	-	-	-
0	Luxembourg	-	-	-	-	-
0	Norway	-	-	-	-	-
0	Sweden	-	-	-	-	-
0	Switzerland	20.0	-	-	-	20.0
0	The Netherlands	10.0	-	-	-	10.0
0	United Kingdom	2.0	-	-	-	2.0
0	United States	330.0	-	-	-	330.0
	TOTAL	508.8	226.4	158.5	-	893.7
	Institution					
0	IAOB	-	-	-	400.0	400.0
0	World Food Proc	15.6	-	-	-	15.6
1	European Commission	90.0	-	-	-	90.0
0	W5	-	-	-	120.0	120.0
0	European Invest Bank	-	-	-	20.0	20.0
0	IFAD	-	-	-	25.0	25.0
0	CAP	1.5	-	-	321.0	322.5
	TOTAL	107.1	-	-	886.0	993.1
	GRAND TOTAL	615.9	226.4	158.5	886.0	1886.8

212.4 = 180 FAD + 32.4 Fondo Microcredito