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ANNEX III

of the Commission Implementing Decision on the financing of the multiannual action plan for 2023 – part IV and for 2024 – part II in favour of the Americas and the Caribbean

Action Document for Regulatory Innovation for Central America

MULTIANNUAL ACTION PLAN

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, and an action plan within the meaning of Article 23(2) of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Regulatory Innovation for Central America OPSYS number: ACT-61780 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes, the action contributes to the EU-LAC Digital Alliance
3. Zone benefiting from the action	The action shall be carried out in Central American region
4. Programming document	Americas and the Caribbean Regional Multi-Annual Indicative Programme 2021-2027 ¹
5. Link with relevant MIP(s) objectives /expected results	MIP Central American sub-window, priority area b: Digital Connectivity and Transformation Specific Objective for Central America: Promote inclusive digital transformation in Central America Expected Results: R.1: Improved efficiency, effectiveness and governance of digital services. R.2: Increased competitiveness of businesses in a more inclusive digital economy.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority area 2: Digital transformation and innovation
7. Sustainable Development Goals (SDGs)	Main SDG: SDG: 9 (Industry, Innovation and Infrastructure) Other significant SDGs: SDG 5 (Gender Equality), SDG 17 (Partnerships for the goals)

¹ C(2021)9356, 13.12.2021.

8 a) DAC code(s)	DAC code 1 – 22040 – Information and communication technology (ICT) DAC code 2 –22010 – Communications policy and administrative management			
8 b) Main Delivery Channel	United Nations Agency - 41000			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line: 14.020140 Total estimated cost: EUR 3 000 000 Total amount of EU budget contribution EUR 3 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with the International Telecommunication Union (ITU) in accordance with the criteria set out in section 4.3.1			

1.2 Summary of the Action

The digital gap is one of the biggest challenges and concerns in Latin America, threatening to exponentially increase the social and economic inequality, and systemically decrease the competitiveness of the region. The situation intensifies for the Central American sub-region, where countries score worse on digital benchmarks such as an enabling legal framework for digital economy, governance, broadband subscriptions, universal access, and cybersecurity than most other countries in the region.² The two most critical areas for Central America are **connectivity** and **supportive public policies**, and the two are clearly intertwined. In addition, none of the Central American countries have implemented **regulatory experimentation mechanisms**, neither in the telecommunications sector nor in other digital transformation sectors, creating a much-needed intervention niche for the present action to innovate in the sub-regional policy space.

The action contributes to creating an enabling environment for greater private investment in connectivity, innovation, and inter-sectoral digital transformation in Central America through the diagnosis, design and implementation of **regulatory innovation tools** (such as a regulatory sandbox, innovation hub, dialogue forum or a policy lab). It takes a step-by-step and customised approach: first, establishing the most appropriate tool(s) at the country level, and then interconnecting them to generate an integrated regional network. As such, the action adds to the long-term EU support to Central America's integration process and digital transition, helping address shortcomings in regulatory frameworks and building innovation capacity to contribute to the region being equipped to take full advantage of the benefits of a fair digital transformation.

The step-by-step approach is essential to manage and lower the risks entailed by an innovative action in a complex policy and regional environment. The action will provide a fertile ground to generate confidence, coordination, and the necessary capacities for a successful launch of new digital innovations, and ICT products and services with

² UNDP 2022. <https://www.undp.org/sites/g/files/zskgke326/files/2022-09/undp-brlac-Digital-ES.pdf>; IADB 2022. <https://publications.iadb.org/publications/spanish/viewer/Informe-anual-del-Indice-de-Desarrollo-de-la-Banda-Ancha-brecha-digital-en-America-Latina-y-el-Caribe-IDBA-2021.pdf>; IADB 2020. <https://publications.iadb.org/publications/spanish/viewer/Reporte-Ciberseguridad-2020-riesgos-avances-y-el-camino-a-seguir-en-America-Latina-y-el-Caribe.pdf>

a flexible, agile and enabling regulatory framework. It intends to i) create a space for authorities and innovators to interact, agree, and coordinate; ii) provide a regulatory sandbox/instruments for companies to test new technologies under innovative, creative, and advanced regulatory frameworks enclosed in a controlled environment to measure potential effects and externalities; and iii) deliver the required support to authorities and stakeholders with the aim of creating an integrated functional regional regulatory framework.

Through this approach, the action will facilitate coordination between authorities, innovators and private sector, including by providing controlled environments to validate new technologies and provide advice to regulators to update regulatory frameworks or to create new ones, according to the requirements of new technologies. As such, it supports the implementation of the extensive digital **Global Gateway Investment Agenda** in the region by opening opportunities for investments in new technologies and innovative products, capitalising on the updated regulatory frameworks adopted by regulators thanks to the experimental approach provided by the use of innovative regulatory experiments/tools such as the sandbox.

The overall objective of this action is to **increase investment in digital transformation through regulatory frameworks conducive to innovation**, accelerating digitalisation and contributing to regional digital integration in Central America.

The Specific Objectives of this action is:

S.O. (Outcome): Enhanced regulatory and institutional framework for the digital transformation and the regional integration of Information and Communication Technologies (ICTs) , and the private-public cooperation for digital solutions in Central America, aligned with international gender and human rights standards, and a green digital perspective.

This will be done through a process of comprehensive technical assistance, in different stages, from capacity building, regulatory reform, to accompanying the implementation of regulatory innovation mechanisms that are identified as relevant for each Central American country, and additionally forming a network of good practices and regional dialogue for the countries involved.

The present action fills an untouched policy space, creating a **digital innovation element in contribution to the EU-LAC Digital Alliance**. It complements the existing components of the Alliance which intervene in a much wider scope: the **EU-LAC high-level policy dialogue** aims at improving policy harmonisation, focusing mainly on regulatory stakeholders and specialised agencies. This action provides a space for innovators, authorities, private sector and other relevant stakeholders to interact, and creates a **regulatory sandbox and other regulatory innovation mechanisms to test innovative regulations for new technologies**.

This intervention therefore provides a complementary but distinct approach and subject matter to **BELLA II** which targets connectivity mainly through digital infrastructure, research and education. Finally, the **Digital Accelerator** component creates a facility to support the private sector, enhancing business opportunities, through entrepreneurship, incubators, accelerators, and investments, helping create EU-LAC joint ventures. These joint ventures can benefit from the regulatory tools offered by this action to test innovative ideas in collaboration with regulators/authorities. Based on the outcomes, the regulators will find in the EU-LAC high-level policy dialogue the natural space for discussions and exchanges on how to reflect these outcomes in their regulatory frameworks in a harmonised way.

Hence, key inputs and lessons learned through the use of the sandbox and other innovative instruments will feed into the broader objectives of the EU-LAC Digital Alliance. At the same time, policy dialogues can feed information into the process of establishing innovative regulatory instruments under this action.

2 RATIONALE

2.1 Context

Digital transformation has high potential to facilitate economic recovery in Central America and help maintain the region's role as a strategic commercial partner for the EU with a supply of productive high added value-based markets on cutting edge technologies. However, this potential is yet to materialise as Central American countries score worse than most others in the region on digital benchmarks such as enabling legal frameworks for digital economy, governance, broadband subscriptions, universal access, and cybersecurity. Even the most digitally

advanced countries in Central America - Costa Rica and the Dominican Republic - barely make it to the average of Latin America and the Caribbean for these indicators, while the rest of the countries lag substantially behind.

One of the most critical issues to unlock the digital transformation is the lack of supportive public policies and regulations in Central America to enable the embrace of innovation, especially in the digital sphere. All countries – except for Costa Rica and the Dominican Republic – suffer from sub-standard public policies for the promotion of private investment in the digital sector. Often, regulatory frameworks lack the agility to accommodate the increasing pace of technological developments. Digital technologies also challenge the way governments regulate by blurring the traditional definition of markets, challenging enforcement, and transcending administrative boundaries³⁴. Without sound policies and regulations truly geared towards innovation, the region will struggle to enable the significant public and private investments needed to bridge the digital gap and provide the connectivity needed for a fair digital transformation.

According to the OECD⁵, regulations creating barriers to entry or inadvertently providing an advantage to either traditional or new business models are in most urgent need of review. It has been proven that companies that operate in countries with lower regulatory barriers tend to invest more in digitalisation. Moreover, leading innovators are more prevalent in countries with low regulatory barriers⁶. As such, governments and regulators play a major role in encouraging digital innovation and in incentivising the development of these technologies for the benefit of the society. They can foster broad public and consumer interests and limit any potential unintended negative consequences of these developments by providing general rules that reflect societal values and preferences. By targeting human rights and gender-responsive private sector development, the action fosters sustainable, inclusive economic recovery and poverty alleviation in Latin America and the Caribbean – a region with among the highest levels of inequality in the world.⁷

Regulators worldwide have understood the importance of robust regulatory frameworks to guarantee internet access to all people, and to strengthen and energise economies (particularly in the digital sector), but **traditional regulatory instruments are insufficient and too slow** as instruments to fulfil the regulatory objectives of ensuring fair and orderly markets, regulate new technologies and reduce systemic risks⁸. As such, the EU and countries like France, Spain, Japan, South Korea, Colombia, among others, are incorporating innovative and **agile regulation mechanisms/tools** that promote experimentation and innovation in products and services.

Regulatory innovation tools usually involve regulators partnering with the private sector, public institutions, and academic sector to actively monitor and assess innovative technologies. Regulators use those tools to observe and supervise the testing, refinement, and deployment of innovative technologies within defined markets or subject to specific operating parameters. This could help prevent them from not being (sufficiently) developed or being launched outside the scope of the regulator and the supervisor, with all the risks that this entails. Innovative regulatory instruments help ensure consumer safety while promoting an environment conducive to new technologies and new business models, which can rapidly adapt to new business models, and improve the relationship between businesses and regulators⁹.

The regulatory frameworks for the communications sector have been very strong and rigorous, which is why agile and flexible frameworks that expedite the entry into the market of new ICT and digital products and services must be available in order to develop new digital technologies. This is why spaces for regulatory experimentation and innovation must be enabled for these sectors. Among the possible regulatory instruments for digital development, we could find innovation hubs, regulatory sandboxes, policy labs and high-level frameworks of experimentation¹⁰:

An innovation hub is a function within the regulatory agency dedicated to facilitating regulatory clarification and guiding innovative regulated or unregulated companies in navigating the existing regulatory framework.

³ www.crcm.gov.co

⁴ OECD, 2019. [Regulatory effectiveness in the era of digitalisation](#).

⁵ OECD, 2018. [OECD report to G-20 Finance Ministers and Central Bank Governors](#).

⁶ EIB, 2023. [Digitalisation in Europe 2022–2023](#).

⁷ EU Gender Action Plan (GAP) III with a specific focus on the digitalisation.

⁸ IDB, 2021. [Regulatory Sandboxes, Innovation Hubs, and Other Regulatory Innovation Tools in Latin America and the Caribbean](#).

⁹ Deloitte (2023). <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/public-sector/deloitte-ch-en-regulation-that-enables-innovation.pdf>

¹⁰ Global digital regulatory Outlook, ITU 2023. https://www.itu.int/en/publications/ITU-D/pages/publications.aspx?parent=D-PREF-BB.REG_OUT01-2023&media=electronic

Information exchange on innovation issues in connection with an innovative technology-driven project takes place within a hub. Communication between the company and the supervisor is generally quite open and informal.

A regulatory sandbox is a “space for experimentation that enables innovative companies to operate products or services temporarily under certain rules that puts limits on features such as the number of users or the period in which the product can be offered. This allows companies to test original products, services, and solutions under the supervisor’s watchful eye”. The sandbox involves a process of prior application and selection by the supervisor according to specific criteria, such as being a genuine innovation with a benefit for the consumer, which is not easily adaptable to existing regulatory frameworks, and being ready to be sold on the market.

There are some examples of regulatory sandboxes that have been implemented or proposed in various countries, including in the EU:

Fintech Sandbox: Many jurisdictions have established sandboxes for fintech companies, allowing them to test new financial solutions without immediately facing all traditional banking restrictions. For example, the United Kingdom has the “Financial Conduct Authority (FCA) Regulatory Sandbox” for fintech companies.

Blockchain and Cryptocurrency Sandbox: Some countries have created specific sandboxes for companies working on blockchain technologies or cryptocurrencies to explore new applications and business models. For instance, Switzerland has a “Crypto Valley” that serves as a testing ground for blockchain startups.

Electric Mobility Sandbox: In some places, regulatory authorities allow new electric vehicle sharing companies or electric scooter services to operate in a limited capacity to test their impact on traffic and the environment. Autonomous floating water drones could also offer entirely new ways to shift the transport of freight from overloaded roads to rivers and canals. In the A-SWARM project, the Economic Affairs Ministry of Germany is currently planning a regulatory sandbox which permits the development and testing of autonomous electrical watercraft whilst simultaneously aiming to generate insights into the future development of the relevant rules¹¹.

Digital Health Sandbox: Some jurisdictions are exploring sandboxes for digital health technologies, allowing startups to develop innovative medical applications and devices in a controlled environment. An example is the Sandbox Program administered by the Massachusetts eHealth Institute at the MassTech Collaborative and designed to both support digital health companies in their product development and expand the user base for sandbox environments¹².

Artificial Intelligence (AI) Sandbox: In certain areas, authorities are considering sandboxes for companies developing AI-based applications, especially in healthcare and social care, to ensure safety and regulatory compliance. In 2022, the Government of Spain announced a pilot for a regulatory sandbox on AI. This project was conceived in the context of the EU’s AI Act debate, which proposes some provisions regarding AI regulatory sandboxes. One of the goals of the Spanish pilot is to be a first attempt at a pan-European AI system of sandboxes¹³.

Renewable Energy Sandbox: Some countries are exploring sandboxes for businesses looking to innovate in renewable energy technologies, allowing them to experiment with new approaches to solar, wind, and hydropower energy. Germany has launched in November 2022 JenErgieReal, a regulatory sandbox which aims at accelerating the supply of sustainable electricity and heat and transform the urban energy system in the city of Jena¹⁴.

Policy labs: In the United States, some state and local governments have established policy labs to partner with academia, using administrative data to evaluate and improve programmes and policies, while safeguarding personal privacy. The labs provide the technical infrastructure and governance mechanisms to help governments gain access to analytical talent, while the data labs are helping to convert data into insights, and driving more evidence-based policy-making and service delivery.

High-level framework for experimentation: Almost a third of countries have identified emerging technologies as a policy priority adopting a forward-looking spectrum strategy or regulations and plans with regard to IoT. Far fewer have specifically tackled key new areas such as cloud computing or AI – respectively one-fifth and one-sixth of countries – with only 16 countries having integrated all of those complementary areas. In effect, the vast majority of governments have yet to canvas emerging technology issues in their policy and regulatory frameworks.

¹¹ www.reallabore-bmwi.de

¹² <https://massdigitalhealth.org/mass-digital-health-programs/digital-health-sandbox-program>

¹³ <https://digital-strategy.ec.europa.eu/en/events/launch-event-spanish-regulatory-sandbox-artificial-intelligence>

¹⁴ <https://www.iaa.org/policies/17543-jenenergierreal-regulatory-sandbox>

The implementation of regulatory innovation instruments has generated good results in Latin America. In Colombia, the TELCO Regulatory Sandbox, a relaxation of the regulatory framework that allows testing of new models of business, is in its first implementation stages and has already received applications to provide 4G mobile cellular coverage in rural and peri-urban areas using new technologies, simplify the process of contracting fixed and mobile services for citizens, and real-time measurement of the experience of mobile Internet service users¹⁵.

Colombia has also led the first regulatory sandbox in ICT and audio-visual, following in the footsteps of the financial sector. The Communications Regulation Commission of Colombia is in the process of implementing the sandbox instrument whose importance has been extended in a general way of the digital sector, such as artificial intelligence, for which the Superintendency of Industry and Commerce of Colombia has also proposed a regulatory sandbox to experiment regulatorily in these new technologies.¹⁶

In the Dominican Republic, ITU together with INDOTEL (Dominican Institute of Telecommunications) led the first regulatory sandbox for the ICT sector¹⁷. Likewise, the member countries of COMTELCA (Regional Technical Commission of Telecommunications of Central America) have begun to develop capacities through the regulatory trainings that the ITU has led. For this reason, it is important to provide stronger accompaniment and comprehensive technical assistance to build these new regulatory frameworks that allow regulatory experimentation.

Given the strong cross-border effects of the digital economy, solutions limited to the domestic domain will no longer suffice, and international regulatory cooperation is key to avoiding arbitrage and cyber threats, effectively protecting consumer rights, and promoting interoperability across regulatory frameworks and enforcement, whilst creating a favourable environment for the digital economy to thrive.

This action builds on the ongoing efforts of the Central American countries to promote regional articulation around digital transformation, for example, through the Action Plan of the SICA Regional Digital Strategy, and aims at increasing investment in innovation and research, and promoting cooperation between countries in line with EU communications on Shaping Europe's Digital Future, the 2030 Digital Compass Decade, the Global Gateway strategy and the New Agenda to strengthen EU's partnership with Latin America and the Caribbean which highlights the joint interest in pursuing digital policies that empower people and businesses to build a human-centric, sustainable and more prosperous digital future.

The action contributes to and complements the EU-LAC Digital Alliance and aims to support an enabling environment for the implementation of the Global Gateway Investment Agenda in Central America, which has a strong focus on promoting better connectivity and use of technologies such as 5G, for which most countries do not yet have regulatory frameworks to facilitate innovative responses to make use of them. This will be done through a process of comprehensive technical assistance, in different stages, from capacity building to accompanying the implementation of regulatory innovation mechanisms that are identified as relevant for each Central American country, and additionally forming a network of good practices and regional dialogue for the countries involved.

Digitalisation has the potential to become a key vector for a just transition, towards a carbon neutral, green and circular economy, for instance through intelligent electricity networks, mobility optimisation, smart cities, and precision agriculture. Nevertheless, a mismanaged digital transition could have an identical prejudicial effect (e.g., increased electricity consumption, digital waste, water squandering for system cooling, etc.), hence the digital transition must be promoted through a holistic approach to ensure a fair societal transformation.

The EU partnership with Central America is guided by the 2030 Agenda and its Sustainable Development Goals (SDGs) as well as the Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III)¹⁸ and the EU Action Plan on Human Rights and Democracy 2020-2024¹⁹.

¹⁵ Telecommunications Sandbox Colombia: <https://www.crcom.gov.co/es/noticias/comunicado-prensa/conozca-proyectos-admitidos-para-experimentacion-en-sandbox-regulatorio>

¹⁶ www.sic.gov.co

¹⁷ <https://indotel.gob.do/indotel-y-la-uit-presentan-informe-final-sobre-proceso-de-modernizacion-regulatoria/>

¹⁸ Joint Communication to the European Parliament and the Council on the EU Gender Action Plan (GAP) III – An ambitious agenda for gender equality and women's empowerment in EU External Action, Brussels 25.11.2020, JOIN(2020) 17 final https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf

¹⁹ https://www.eeas.europa.eu/sites/default/files/eu_action_plan_on_human_rights_and_democracy_2020-2024.pdf

2.2 Problem Analysis

The International Telecommunication Union (ITU), the UN specialised agency for information and communication technologies, maintains a global regulatory ranking by country according to different generations of regulation (from G1 to G5). In this ranking, most Central American countries are classified as G2 (Guatemala and Belize) and G3 (Panama, El Salvador, Honduras and Nicaragua), while the Dominican Republic and Costa Rica are assessed as G4. This means that most countries are missing out on opportunities of digital transformation.

According to the latest report published by ITU on the G5 Benchmark measurement²⁰, **none of the Central American countries have adopted regulatory experimentation mechanisms**, neither in the telecommunications sector nor in other sectors undergoing digital transformation. While Costa Rica, Panama and the Dominican Republic can be considered advanced in transitioning towards a regulatory framework conducive to digital development and innovation, Guatemala, Honduras, Nicaragua, Belize and El Salvador are still moving towards such a transition. It is important to note that in 2022, the Dominican Republic included the design and development of a regulatory sandbox for the telecommunications and digital signature sector to its agenda. Within the framework of this action, the Dominican Republic will be included in the implementation phase and in the establishment of the Central American regional network.

Undoubtedly, further efforts are required in terms of regulatory governance, simplification of the regulatory framework, updated regulations to promote public policies, new rules that allow greater competition, new forms of spectrum management, among other factors that demand innovation.

As such, this action addresses the lack of regulatory incentives that promote investment, innovation and multisectoral digital transformation through innovative regulation schemes. The possible causes that can be linked to this problem are:

- Lack of modernisation and harmonisation of regulatory frameworks, which include the vision of collaborative regulation between sectors, the vision of regulatory improvement and innovation in regulatory design processes, need to strengthen the development of technical capacities by experts from regulatory, legislative and government bodies, for the improvement of regulatory frameworks in ICT and Digital.
- Lack of specific technical studies that serve as inputs for the design and development of modern regulations that promote regulatory innovation, with regulatory sandbox-type experimentation schemes, among other measures.
- The need to strengthen the political dialogue between authorities of the Central American countries to achieve improvements in the legislative and regulatory frameworks in the countries.
- Need for dialogue between the different agents of the ICT and Digital sector particularly the private sector, with the authorities of the countries
- The need to have more sources of information, data and relevant statistics for the development of modern and innovative regulations for the ICT and digital sector.
- The low adoption of good and standardised regulatory practices promoted by international organisations
- Lack of gender analysis, that is based on disaggregated data, which allows to track inequalities and it is necessary for transformative digitalisation for all – so that can be targeted everybody leaving no one behind.²¹ Women participation in decision-making and leadership positions are essential in order to achieve gender-responsive regulatory frameworks to unleash women's digital innovatory and entrepreneurship potential²².

The flexibility and innovation of regulatory frameworks to encourage digital development will also benefit the inclusion of women as digital innovators and entrepreneurs. According to a study conducted by Arizona State University, We-Fi and BIDLab, in Central America (Costa Rica, El Salvador, Guatemala and Honduras) the global trend that only 30% of businesses belong to women and only 1% of revenues are destined to these companies, which shows the disadvantage of companies led by women; although in El Salvador, the majority of micro, small

²⁰ G5 Benchmark: <https://gen5.digital> (ITU).

²¹ EU Gender Action Plan (GAP) III with a specific focus on digitalisation.

²² EU Gender Action Plan (GAP) III with a specific focus on digitalisation.

and medium-sized enterprises are owned by women. This situation, added to the fact that women experience more precarious conditions when they access the internet, according to the document prepared by ECLAC: Gender equality and the autonomy of women and girls in the digital age: contributions of education and digital transformation in Latin America and the Caribbean, leads to the need to incorporate a gender perspective in all projects that involve regulatory modernisation in order to improve the gender inclusion in digital business.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The main institutional counterparts at the regional level are the *ad hoc* Regional Digital Strategy (ERDI) group on regulatory issues and ICT, and COMTELCA, the specialised institution of telecommunication regulators of the Central American Integration System (SICA) and the ITU Central America Area Office. These actors are relevant to generate the national and interregional political dialogue in Central America and the Dominican Republic, and in order to achieve regulatory harmonisation around regulatory modernisation and experimentation schemes, as well as for the formation of communities of good regulatory practices in the region.

Other important actors include RedClara and its European counterpart GÉANT as operators of the BELLA network, the new “digital highway” facilitating increased cooperation between the EU and LAC. This action aims to facilitate the innovation generated through the new connections to BELLA, through innovative tools that manage to create agile and innovative regulatory frameworks.

The implementing partners of the EU-LAC Digital Alliance will constitute a natural counterpart to ensure close coordination and complementarity, in particular GIZ, FIIAPP, Expertise France, eGA, CEPAL, TECNALIA and the other implementing partners of the EU-LAC Digital Accelerator.

At a national level, main counterparts will be national ministries of innovation and telecommunications and telecommunications regulatory authorities.

For the action to be successful, it will require from the onset a very solid system of coordination within the EU actors (Commission services and EU Delegations), with both regions, the academia, national governments in the region and private sector (ICT Chambers, European Chambers in Central America, Telecom Operators, etc).

Engagement with civil society organisations, including women’s and youth organisations, will be key to ensure the sustainability and ownership of EU actions as well as youth and enhancing their skills, employability and political participation will be cross-cutting elements in the MIP’s overall goal to contribute to more sustainable, digital and inclusive societies²³.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The overall objective of this action is to **increase investment in digital transformation through regulatory frameworks conducive to innovation**, accelerating digitalisation and regional integration in Central America.

The Specific Objectives of this action is:

S.O. (Outcome): Enhanced regulatory and institutional framework for the digital transformation and the regional integration of Information and Communication Technologies (ICTs), and the private-public cooperation for digital solutions in Central America aligned with international gender and human rights standards, and a green digital perspective.

The Outputs to be delivered by this action contributing to the corresponding Specific Objective are:

Output 1. Increased capacities of competent authorities to design, implement and monitor innovative regulatory frameworks that support private investment in connectivity, innovation and intersectoral digital transformation with gender and human rights and green digital perspective. This will be done through comprehensive technical assistance for regulatory modernisation and the inclusion of innovative mechanisms/tools for regulatory experimentation.

²³ The Americas and the Caribbean Regional Multiannual Indicative Programme 2021-2027

Output 2. Strengthened technical and financial support for the implementation of the suitable innovative regulatory mechanism(s)/tool(s) leading to regulatory reforms to support digital transformation.

Output 3. Boosted cooperation and networking among Central American regulatory authorities on regulatory framework fostering the uptake of innovative digital technologies.

Contribution to output 1

- 1.1. General inventory of each of all innovative market segments of the relevant countries embedding gender equality.
- 1.2. Selection of the innovative market segments with most potential benefits and risks to regulatory objectives of each country and the objectives of this project integrating gender sensitive response.
- 1.3. Exploratory analysis of each selected segment (as defined for each country in 1.2.) to obtain options for traditional and innovative interventions.
- 1.4. Training processes to develop technical capacities in the regulatory and public policy authorities.

Contribution to output 2

- 2.1. Define the implementation strategy of traditional and innovative regulatory instruments for each of the participating countries, including gender- sensitive strategies.
- 2.2. Launch regulatory reform process for each country to remove regulatory barriers and modernise regulation providing a sound framework for innovation, integrating gender sensitive response.
- 2.3. Design, prepare and implement the suitable innovative instrument(s) step by step in each country. These will include primarily a regulatory sandbox, or innovation hubs, policy labs, high-level frameworks for experimentation motivating the participation of women and green digital entrepreneurs and innovators; for more information on each of the instruments, please see referenced literature²⁴.
- 2.4 Provide training to the staff of public organisations before implementation of each innovative instrument and coaching during an appropriate period after their implementation, motivating the participation of women and green digital entrepreneurs and innovators.
- 2.5. Promote strategies for the transfer of knowledge between the private sector, regulatory agencies and academia from a gender perspective.

Contribution to output 3

- 3.1. Design and implement digital regional platforms to interconnect and integrate the local innovation hubs, regulatory sandboxes.
- 3.2. Design business cases and best practices for regulatory reform and implementation, based on the experiences derived from each country to be scaled at the regional level.

3.2 Indicative Activities

Activities related to output 1.1:

- Form a joint project team with staff from local public organisations (ministry and regulator) that conducts a mapping exercise of the innovative activities in each participating country consisting of a desk review and market intelligence meetings with relevant stakeholders (national incumbent firms, innovative start-and scale ups, associations, academia, financial stakeholders and financiers, etc.). By doing so, the report produces a joint base level understanding to be used to inform further policy actions, to inform the market and public in general; to build common knowledge and experience; a stakeholder space of dialogue; and to forge basic skills among local staff of authorities.
- Publish and socialise the reports, at a country level with the local stakeholders that participated in the market intelligence, and at the regional level.

²⁴ For explanation of the different innovative instruments, see Werner Bijkerk, *Regulatory Sandboxes, Innovation Hubs, and Other Regulatory Innovation Tools in Latin America and the Caribbean*, Inter-American Development Bank, 2021

Activities related to output 1.2:

- Conduct sessions in the joint teams of each country enlarged with the project leader and/or experts to discuss each of the segments and aspects of the local market, the overlaps and common themes with other countries in the region, and select the areas that provide most potential in terms of benefits and risks to the regulatory objectives and project goals as stated in the general and specific objectives both at the country level as well as the regional level.

Activities related to output 1.3:

- The joint teams to conduct exploratory analyses in each of the selected areas of priority selected in the previous step. The analysis should comprise of a chapter with analysis on (a) the market situation (levering the report in 1.1, but with regional and global comparisons and trends), (b) the regulatory framework (strengths, barriers and weaknesses), (c) the major potential benefits in the selected area, (d) the major potential risks in the selected area, (e) discussion of traditional (most important and urgent needed regulatory reforms) and innovative regulatory options (the innovative regulatory instruments that could be helpful) and public policy options to obtain potential benefits and manage risks. Include capacity building needs.
- Hold discussions on the report with commissions/top levels of agencies and ministries.
- Publish (a version of) the report and hold socialisation meetings with stakeholders (private sector, academic, civil society).

Activities related to output 1.4:

Design an online training tool for the training of technical teams of regulators from participating countries on innovative regulatory instruments.

- Conduct workshops, face-to-face and virtual, for capacity building on the subject of innovative regulatory instruments. motivating the participation of women and green digital entrepreneurs and innovators.

Activities related to output 2.1:

- The joint teams of the countries to elaborate a phased strategy to implement the prioritised regulatory reforms and the different innovative instruments. The strategy should be based on the previous mapping report and exploratory analyses, and take into account the local situation (some countries are more advanced than others and therefore countries would need distinct regulatory reforms and different innovative regulatory instruments).

Activities related to output 2.2:

- Support the corresponding regulatory authorities of the participating countries in the process of regulatory adaptation through experts in the field.
- Systematise the results of the process so that it is part of the integral document of the Central American experience.

Activities related to output 2.3:

- Perform technical analysis on the regulatory frameworks of the participating countries to obtain clarity on the conditions for, and feasibility of the implementation of innovative regulatory instruments, in particular the innovation hub and the regulatory sandbox.
- Socialise and obtain feedback from the corresponding regulatory authorities on the results of the technical analyses carried out.
- Transfer the results of the technical studies to serve as input for the internal reforms to be implemented.
- Design the methodology and implementation phases of each innovative regulatory instrument for each Central American country that is part of the action.
- Design practical operations manuals for each innovative instrument that can be used in each country.
- Obtain regulatory approval for the strategy and for the creation of each innovative instrument.

- Socialise and obtain feedback from the corresponding regulatory authorities on the proposal so that it is valued within their regulatory organisations.
- Create the content for a website for the innovative instrument.
- Design and perform a launch event of each innovative instrument.
- Support implementing countries with their first call for innovative projects, motivating the participation of women and green digital entrepreneurs and innovators.

Activities related to the output 2.4:

- Design the thematic content corresponding to this phase of the programme.
- Conduct practical training workshops for the staff of the regulatory bodies that are part of the programme.
- Prepare an agenda for periodic virtual coaching of each of the active instruments at the regional level and the individual participating countries.

Activities related to output 2.5:

- Design an online training tool (e.g., with ITU Academy) for the training of technical teams of companies on innovative regulatory instruments.
- Conduct workshops, face-to-face and virtual, for capacity building on the subject of innovative regulatory instruments.

Activities related to output 3.1:

- Design practical operations manuals for each regional digital platform (i.e. each innovative instrument). The manual should contain descriptions on practicalities of the creation and management of the digital platforms, the roles and obligations of its participants, its channels of operation, reporting, governance, costs, etc.
- Design of content and creation of the digital platform.
- Design and signature of a Multilateral Memorandum of Understanding among the participating national authorities.

Activities related to output 3.2:

- Design business cases based on the experiences derived from each country to be scaled at the regional level.
- Approve business cases and define a strategy for dissemination.

All activities will be implemented in close coordination with the regional programme in support of the EU-LAC Digital Alliance, especially each activity in which legal and regulatory analysis is undertaken, in particular in the abovementioned outputs 1.1, 1.2, 1.3, 2.2, 2.3 and 3.1.

The action is complementary to the implementation of a regional EU-LAC accelerator. Since an accelerator usually does not require (complicated) legal or regulatory approval or changes, it is preferable (quicker and more economical) to create a regional accelerator in which businesses from all LAC countries can participate instead of local accelerators in each country and, subsequently, an interconnected regional platform.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from the partners applying a Team Europe approach. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

The regulatory frameworks for digital development and the ICT sector require a strong environmental approach, the regulations generated from this project will have a digital green perspective, which contributes to preventing

negative environmental impacts. The EU guidelines to improve the energy efficiency and circular economy performance in cloud computing and data centres²⁵, the ITU Green Data Centres' Guide, ITU recommendations for the treatment of electronic waste, and measures such as those proposed by the European Green Digital coalition, are examples of measures and good practices that can be adopted.

Outcomes of the SEA screening: N/A

Outcomes of the EIA (Environmental Impact Assessment) screening: N/A

Outcome of the CRA (Climate Risk Assessment) screening: N/A

Gender equality and empowerment of women and girls

The action focuses on innovative regulatory measures in the Central American countries so that they promote innovation and investment in new digital products and services, making use of alternative regulatory mechanisms that allow experimentation and testing of such products and services. Any calls for projects under those mechanisms should apply promote the digital inclusion of the entire population, especially women and girls, including the gender machinery, gender focal points or representatives of women's (business) organisations in technical committees, steering committees, platforms or other spaces where decisions are made. As such women are able to share their voices through the people who represent their needs, interests and rights.²⁶

Bringing an additional 600 million women online worldwide would result in a GDP increase of up to about EUR 13 billion (And this estimation is based on data before covid-19)²⁷.

The Action will contribute to the realisation of the EU Gender Action Plan 2021-2025 GAP III, in particular to its thematic area of engagement "Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation", and "promoting economic and social rights and empowering girls and women" and the 2030 Agenda's principle of leaving no one behind.

Human Rights

Connectivity and digitalisation are enablers of other rights as they are tools that contribute to access to education, health, access to government services, among others. The harmonisation and modernisation of regulatory frameworks, using the best regulatory practices of the countries of the European Union and the region, as well as those consolidated by organisations such as the ITU, seek to generate positive impacts that promote access to this connectivity, to digital transformation and other services that consolidate human rights in an equitable manner. A human rights-based approach will be applied throughout EU cooperation and will advance the goals set out in the EU's Action Plan on Human Rights and Democracy 2020-2024, with particular attention to tackling inequalities, furthering women and girls' empowerment, as well as promoting the rights of vulnerable groups, including children, refugees, displaced people and migrants, and indigenous people. The EU's cooperation will promote fundamental freedoms and advance the protection of the rights of journalists and human rights defenders.

In today's rapidly advancing technological landscape, it is critical that human rights considerations are at the forefront of technological development. Women's involvement in technology can help to ensure that these considerations are taken into account, leading to more equitable and just outcomes for all. Therefore, it is not just a matter of gender diversity, but a matter of human rights to encourage and support women's participation in technology development²⁸.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. Although the action does not have a specific focus on people with disabilities, it can be considered that there is an indirect impact to the extent that innovative regulation seeks to enable new digital products and services, as well as, closing the connectivity gap. Likewise, as explained in the context and in the statement of the problem, one of the expected impacts of this action is greater investment, greater innovation and new products and services that promote the inclusion of all social sectors, this includes the people with the greatest needs, thus being an opportunity to promote

²⁵ <https://digital-strategy.ec.europa.eu/en/policies/green-cloud#:~:text=Data%20centres%20need%20to%20become,existing%20legislation%20and%20new%20initiatives>.

²⁶ Gender Action Plan (GAP) III with a specific focus on digitalisation.

²⁷ Gender Action Plan (GAP) III with a specific focus on digitalisation.

²⁸ EU Action Plan on Human Rights and Democracy 2020-2024.

inclusion initiatives. The Action will ensure that rights of persons with disabilities will be respected, and the planned activities related with formulation of projects, evaluations and others are disability inclusive. The Action will encourage partners and programme participants to take the initiatives to protect persons with disabilities and invite organisations representing people with disabilities.

Promote the accessibility of technologies for everyone including persons with disabilities and other in vulnerable situation, already at the design stage of new technologies covering all sectors including education²⁹

Reduction of inequalities

This programme aims to support CA governments in advancing through inclusive and human-centred digital transformation, promoting regulatory improvements to promote digital development and to close digital gaps. Despite ambitious public policies and some progress during the past 20 years, levels of inequalities in the region remain among the highest in the world (e.g., Gini Index of 0.5 in Central America). Nevertheless, the COVID-19 recovery could be an opportunity to address structural, systemic challenges, through a multi-sector approach, and with special attention to women and people living in vulnerable conditions groups like children, youth, indigenous communities, migrants, or persons with disabilities. Close coordination will be ensured with other priority areas and particularly green transition, digital transformation, and inclusive economic recovery.

Democracy

One of the most relevant elements of the evolution of regulatory frameworks and the regulatory design process is the participation of multiple invited parties, the consultation processes and the discussion of the projects with the entire sector. This certainly promotes democracy and participation. The multi stakeholder approach must be present at all stages of the action.

Conflict sensitivity, peace and resilience

Information and communications technologies and digital technologies in general represent a transversal instrument for governance in countries, and have an impact on all social and economic sectors and also on this topics, However, the project does not focus directly on them.

Disaster Risk Reduction ICTs are a fundamental instrument for the prevention and attention to disaster risks. Innovative regulatory frameworks that encourage digital developments will allow the development of solutions that can have a positive impact on the prevention of disaster risks.

Other considerations if relevant

N/A

3.4 Risks and Lessons Learnt

²⁹ EU Action Plan on Human Rights and Democracy 2020-2024' "New Technologies: harnessing opportunities and addressing challenges

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Planning process	Delay in the process of formulating the documents required for the design and development of the initiative	Medium	Medium	Speed up the initiative and project formulation processes, concentrating human resources from the organisations involved in the process, in order to have the documents required for their approval.
	Delay in the approval process	Medium	Medium	Establish coordination spaces between the financing and implementing organisations, which are systematic and permanent to mitigate delays in the planning and approval process.
	Contradiction in concepts and perceptions between the funding organisation and the implementing organisation	Low	Medium	The coordination spaces constitute the main tool for agreement.
Political and Regulatory Commitment	Low level of technical capacities in the government and regulatory authorities for the appropriation of the action	High	Medium	Prioritisation of capacity development actions from the early stages of implementation.
	Low interest on the part of regulatory authorities in modernising and updating regulatory frameworks.	Medium	High	Prioritise political dialogue with high-level authorities to achieve the initial commitment of the countries.
	Lack of interest on behalf of the government and regulatory authorities to be part of the programme.	Medium	High	Prioritise political dialogue with high-level authorities to achieve the initial commitment of the countries. For this, it is necessary to have the European Union and other international organisations as allies to arouse interest and give value and importance to the action.
	Lack of interest of the countries in harmonising their regulatory frameworks considering the European experience and good international regulatory practices, as well as with other countries in the region.	Medium	Medium	Likewise, prioritise the development of capacities for the authorities and technical teams of the beneficiary countries.
Implementation process	Lack of interest on the part of companies and other agents in the sector in participating in the calls.	Medium	High	Link companies from the early stages of implementation and provide capacity building to their regulatory staff. Likewise, link actors who have implemented and have also been

				<p>beneficiaries of sandbox schemes to share their experiences and opportunities.</p> <p>Articulation with EU projects that promote investment and SME sector.</p> <p>Design and implement a dissemination strategy amongst countries, regional organisations and private sector.</p>
	Delay in the approval processes of the new regulatory frameworks.	Medium	High	Provide support and technical assistance on site to regulatory bodies to help them in the processes of regulatory approval and opening of calls.

Lessons Learnt:

Past EU-funded actions, especially in the field of governance and institutional capacity building, have used technology as an enabler. Some of the lessons learned are:

1. Digitalisation needs to be an inclusive process that takes into account women's and girls' specific needs, challenges and potential;
2. There is a lack of internal digital expertise and capabilities within public institutions;
3. Failure of companies to comply with the rules of origin in the digitalisation field leads to systematic cancellation of procurement processes to comply with EU procedures;
4. Risks of corruption in IT contracts are high.

Some lessons learned from the project Study of Competition Conditions in the Telecommunications Markets of Honduras led by the ITU Area Office for Central America in 2022, can be summarised as:

- The participation of technical teams and decision makers in all stages of the project will be essential to ensure success and appropriation of the project results.
- In regulatory matters, the regional vision in Central America is important, but it is necessary to understand the different regulatory realities and the conditions of the digital markets of each Central American country in particular. This will allow for particular intervention strategies for each country.

In the DIGITAL KIT initiative for digital transformation also implemented by the ITU Central American Area Office, lessons learned have been generated that confirm the importance of involving the different actors in the sector, as part of the implementation. The multi-stakeholder view is important and necessary for implementation

The participation of the private sector in the regulatory innovation process was confirmed in the ITU technical assistance project to INDOTEL (Dominican Institute of Telecommunications) in which the regulatory framework that enables regulatory sandboxes in the ICT and Digital Signature sector (Dominican Republic) was created. It is a continuous process of capacity development for both government regulatory teams and company regulatory teams.

3.5 The Intervention Logic

The underlying intervention logic for this action is that the improvement of regulatory environments and frameworks is necessary to promote investment and competition. Advanced regulatory frameworks focus not only on the development of telecommunications, but on the entire digital ecosystem, updating regulatory frameworks in such a way that they promote collaboration and experimentation. As such, this action contributes to addressing a key challenge in Central America, since most of these countries do not have innovative regulatory mechanisms.

To achieve the overall objective of the project, it is necessary to remove the obstacles and manage the risks associated with political will to make said changes. And likewise, develop capacities in the region, train regulatory teams and support said authorities with technical assistance for the implementation of the changes. It is also necessary to work with all the actors in the ecosystem and with private companies and innovators so that they can offer new digital and telecommunications products and services, taking advantage of innovative regulatory instruments. In that sense, the underlying theory of change for this action is that: “**IF** the capacities of competent authorities to design, implement and monitor innovative regulatory frameworks that support private investment in connectivity, innovation and intersectoral digital transformation are increased with a gender and green digital perspective (Output 1), **IF** the technical and financial support mechanisms for the implementation of regulatory reforms and innovative instruments to support digital transformation are strengthened, supporting the reform process and the call for projects (Output 2), **AND IF** new opportunities for cooperation and networking among Central American countries for digital integration and policy dialogue are created (Output 3), **THEN** the regulatory and institutional framework will be adequate for digital transformation and regional development and for integrating Information and Communication Technologies (ICTs) in Central America (Outcome 1), **PROVIDED THAT** decision makers, private sector representatives and CSOs remain interested in working together around the implementation of an integrated digital framework and network (Assumption 1).

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at a contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g., including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Increase investment in digital transformation through regulatory frameworks conducive to innovation.	<ol style="list-style-type: none"> Volume of public-private investment that has been mobilised to foster digital transformation or improved connectivity (in EUR). Disaggregated by country and sector; Evolution of the regulatory framework, G5 benchmark 	<ol style="list-style-type: none"> Review: per country and regional/ G5 benchmark Instrument 2022 ITU 	<ol style="list-style-type: none"> At least 2 percentage points of investment in the digital and telecommunications sector. Advancement of at least 2 points on the G5 benchmark measuring instrument 	<p>1 Global SDGs Indicators Database</p> <p>2 G5 Benchmark instrument ITU</p>	<i>Not applicable</i>
Outcome 1	Enhanced regulatory and institutional framework for the digital transformation and the regional integration of Information and Communication Technologies (ICTs), and the private-public cooperation for digital solutions in Central America aligned with international gender and human rights standards.	<ol style="list-style-type: none"> 1.1. Number of laws and/or reforms that have been adopted to foster digital transformation, private investment and/or innovation. Disaggregated by country. 1.2. Number of innovative regulatory instruments that have been implemented. Disaggregated by country and type of instrument (sandbox, policy labs, among others). 1.3. Number of countries supported by the EU to enhance access to digital government services (GERF 2.12); 	<p>1.1. 0</p> <p>1.2. 0</p> <p>1.3. 0</p>	<p>1.1. Five(5)</p> <p>1.2 Five (5)</p> <p>1.3. Five (5)</p>	<p>1.1. ITU Database and reports</p> <p>1.2. ITU Data base and reports</p> <p>1.3. Letters of commitment</p>	The regulatory governance structure is maintained with specialised bodies, and countries in the region remain committed to digital transformation, allocating technical and budgetary resources accordingly
Output 1	1.1. Increased capacities of competent authorities to design, implement and monitor innovative regulatory frameworks that support private investment in connectivity, innovation and intersectoral digital transformation with gender and human rights and green digital perspective	<ol style="list-style-type: none"> 1.1.1 Number of technical analysis on the regulatory frameworks to obtain clarity on the conditions for, and feasibility of, implementation of innovative regulatory instruments, in particular innovation experimentation tools and a regulatory sandbox. 1.1.2. Number of exploratory analyses in each of the selected priority areas selected in the previous step. 	<p>1.1.1. 0</p> <p>1.1.2. 0</p> <p>1.1.3.0</p> <p>1.1.4. 0</p> <p>1.1.5 0</p> <p>1.1.6. 0</p> <p>1.1.7. 0</p>	<p>1.1.1. to be defined in the first year</p> <p>1.1.2. To be defined in the first year</p> <p>1.1.3. To be defined in the first year</p> <p>1.1.4. To be defined in the first year</p> <p>1.1.5. To be defined in the first year</p>	<p>1.1.1. Technical assistance reports</p> <p>1.1.2. Technical assistance reports</p> <p>1.1.3. Technical assistance reports</p> <p>1.1.4. Technical assistance reports</p> <p>1.1.5. Letter of acceptance and meetings' minutes</p>	<p>Country commitment to capacity building remains allocating technical and budgetary resources accordingly.</p> <p>The commitment to regulatory adjustment and implementation of regulatory innovation</p>

		<p>1.1.3. Number of recommendations of technical analysis accepted and actioned by the corresponding regulatory authorities.</p> <p>1.1.4. Number of socialisation meetings with stakeholders (private sector, academic, civil society) held on the outcome and follow-up of the report.</p> <p>1.1.5. Number of government actions in partner country seeking to improve the collection, analysis and use of sex-disaggregated ICT data. OO2 (other thematic outcomes indicators) GAP III</p> <p>1.1.6. Number of online training tools regarding innovative regulatory instruments designed.</p> <p>1.1.7. Number of trainings that have a human rights and gender perspective.</p>		<p>1.1.6. To be defined in the first year</p> <p>1.1.7. To be defined in the first year</p>	<p>1.1.6. Meetings' minutes</p> <p>1.1.7. Technical assistance reports</p>	<p>mechanisms remains in force</p> <p>The regional integration process maintains the current trend, without major shocks that deteriorate or modify the dynamics of cooperation between Central American countries</p>
Output 2	Strengthened technical and financial support mechanisms for the implementation of regulatory reforms and innovative instruments to support digital transformation.	<p>1.2.1. Number of key regulatory changes to foster innovation.</p> <p>1.2.2. A thematic regional report of the results of the regulatory reform process (including gender analysis)</p> <p>1.2.3 Number of workshops, face-to-face and virtual, held for capacity building on the subject of innovative regulatory instruments (especially motivating the participation of women and green digital entrepreneurs and innovators).</p> <p>1.2.4. Number of people who have benefited from institution or workplace-based vocational</p>	<p>1.2.1. 0</p> <p>1.2.2. 0</p> <p>1.2.3. 0</p> <p>1.2.4. 0</p> <p>1.2.5. 0</p>	<p>1.2.1. To be defined in the first year</p> <p>1.2.2. To be defined in the first year</p> <p>1.2.3. To be defined in the first year</p> <p>1.2.4. To be defined in the first year</p> <p>1.2.5. To be defined in the first year</p>	<p>1.2.1. Technical assistance reports</p> <p>1.2.2. Technical assistance reports</p> <p>1.2.3. Meetings' minutes and workshop publications</p> <p>1.2.4. Technical assistance reports</p> <p>1.2.5. Technical assistance reports</p>	

		<p>education and training/skills development interventions supported by the EU (EU RF 2.15) OO3 (key thematic outcome indicator) GAP III</p> <p>1.2.5. Number of calls for projects supported within the framework of the implementation of regulatory innovation instruments (especially motivating the participation of women and green digital projects).</p>				
Output 3	<p>New opportunities created for cooperation and networking among Central American countries for digital integration and policy dialogue.</p>	<p>1.3.1. Number of operations manuals for each regional digital platform (i.e., each innovative instrument) developed.</p> <p>1.3.2. Number of digital platforms created.</p> <p>1.3.3. Number of Multilateral Memorandum of Understanding prepared and signed by the participating national authorities.</p> <p>1.3.4. Number of business cases and best practices designed and compiled.</p> <p>1.3.5. Number of business cases that were scaled to the regional level.</p>	<p>1.3.1. 0</p> <p>1.3.2. 0</p> <p>1.3.3. 0</p> <p>1.3.4. 0</p> <p>1.3.5. 0</p>	<p>1.3.1. To be defined in the first year</p> <p>1.3.2. To be defined in the first year</p> <p>1.3.3. To be defined in the first year</p> <p>1.3.4. To be defined in the first year</p> <p>1.3.5. To be defined in the first year</p>	<p>1.3.1. Technical assistance reports</p> <p>1.3.2. Pre and post digital platform tests</p> <p>1.3.3. Approval Act</p> <p>1.3.4. Technical assistance reports</p> <p>1.3.5. Technical assistance reports</p>	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner countries.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission of this Financing Decision

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³⁰.

4.3.1. Indirect Management with an entrusted entity

This action may be implemented in indirect management with the International Telecommunication Union (ITU).

This implementation entails all activities described in section 3.2. The envisaged entity has been selected using the following criteria:

- Technical competence in the ICT sector and experience in supporting countries' digital transformation efforts;
- Proven experience and knowledge in the areas of regulatory frameworks for the development of the ICT sector;
- Administrative capability and the experience to implement this type of intervention due to its mandate and expertise;
- Proven experience in regulatory modernisation and innovation, ITU was one of the first organisations to promote regulatory innovation from its official measurements and to apply it through capacity building in Central American countries (Nicaragua, Panama, Mexico, Dominican Republic, Honduras, El Salvador, Guatemala, and Costa Rica). In 2022, ITU introduced the first trainings in alternative sandbox regulation mechanisms in Central America and the Hispanic Caribbean and supported the creation of Digital Regulatory Sandbox in Dominican Republic;
- Experience with management of delegated funds from the EU;
- Strategic relevance for EU multilateral engagement;
- Demonstrated capacity to coordinate with various stakeholders;
- Proven experience and knowledge in supporting the development of the ICT sector in the field of digital policy and regulation.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.3.2. Changes from indirect to direct management mode due to exceptional circumstances

If the implementation modalities originally foreseen under indirect management cannot be implemented due to circumstances outside of the Commission's control, the Commission reserves the possibility to consider

³⁰ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

identifying an alternative implementation modality in direct management through grant(s), and notably to entities which offer similar technical competences and/or capacities and/or experience those entities originally foreseen for indirect management.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (Amount in EUR)
Objective/Output	
Indirect management with ITU - c. f. section 4.3.1	3 000 000
Evaluation - c.f. section 5.2 Audit – c.f. section 5.3	May be covered by another Decision
Totals	3 000 000

4.6 Organisational Set-up and Responsibilities

A Steering Committee for the Action shall be established and shall meet twice a year. This Steering Committee will complement the governance that will be set up for each component by the implementing partner. It ensures coordination and synergy between the outcomes, as well as the formulation and follow-up of recommendations.

The Committee will be composed of ITU, the Delegation of the European Union, representatives of EU-LAC Digital Alliance (to guarantee complementarity and avoid any potential duplication) and relevant stakeholders. This structure will include committees that will monitor implementation.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical, and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix. All monitoring and reporting shall assess how the action is taking into account the human rights-based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

Each implementing entity (and their sub-delegated partners, sub-implementing agents) will be responsible for data collection, analysis and monitoring of the respective project activities. They may draft a joint monitoring plan (with data collection methods and tools) which will encompass all programme components, with a special attention to the activities and indicators for which both implementing partners are accountable. As stated in section 4.7, the Joint Management Committee will hold monthly coordination meetings, among which one per quarter will devote also to share data, discuss activities' progress and the degree of achievement of programme's outputs. Besides periodical technical and financial reporting to the Commission, the results will be presented annually to the Steering Committee for further discussion and strategic orientation.

The implementing partners will consider using digital collaboration platforms for data storage and sharing, also through automatically updating dashboards, so that all stakeholders (EU, Government, civil society, private sector, etc.) will be informed and up to date about the programme progress and results, also allowing meaningful participation of the beneficiaries throughout the programme.

All monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated at least by sex.

5.2 Evaluation

In regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular that this is an innovative and pilot action and as such, it may inform future EU initiatives in the field.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

All evaluations shall assess to what extent the action is taking into account the human rights-based approach, as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

Additionally, all evaluations carried within this action will establish links with the Team Europe Initiatives developments, to the possible extent.

Evaluation services may be contracted under a framework contract.

Having regard to the nature of the action, a mid-term] evaluation will not be carried out for this action or its components. In case an evaluation is not planned, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements. Financing of audits and verification may be covered by another financing decision. To that extent they must comply with the instructions given in the 2022 Guidance document Communications and raising EU visibility: Guidance for external action) or any successor document).

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)“, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

Action level (i.e. Budget Support, blending)		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level (i.e. top-up cases, different phases of a single programme)		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
Contract level		
<input type="checkbox"/>	Single Contract 1	
<input type="checkbox"/>	Single Contract 2	
Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)		
<input type="checkbox"/>	Group of contracts 1	