



EN

**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

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

Action Document for the Regional EU – LAC Sustainable and Inclusive Economy Programme: “AL-INVEST Next”

**MULTIANNUAL PLAN**

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

**1 SYNOPSIS**

**1.1 Action Summary Table**

<b>1. Title</b>	AL-INVEST Next (working title)
<b>CRIS/OPSYS business reference</b>	CRIS/OPSYS number: ACT-62199
<b>Basic Act</b>	Financed under the Neighbourhood, Development and International Cooperation Instrument ( <u>NDICI-Global Europe</u> )
<b>2. Team Europe Initiative</b>	NO <i>NB: it will establish synergies with the existing TEIs e.g., Gran Chaco, 5 Bosques de Mesoamerica, Amazon+.</i>
<b>3. Zone benefiting from the action</b>	Latin America and the Caribbean region (LAC)
<b>4. Programming document</b>	Regional multi annual indicative programme 2021-2027 for the Americas and the Caribbean (RMIP-LAC)
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<b>The RMIP-LAC 2021 identifies 5 priority areas:</b> 1) Green Transition; 2) Digital transformation and innovation including space; 3) Sustainable and inclusive economy; 4) Democratic Governance, Security and Migration; and 5) Social cohesion and addressing inequalities.  <b>This action is contributing to the specific objectives/results of priority area 3.</b> It has strong complementarities with priority areas 1 and 2 and also aims to create synergies with priority areas 4 and 5.
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Sustainable and inclusive economy development, business and human rights, sustainable value chains, market access support, intellectual property.
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDGs: SDG 8 Decent work and economic growth SDG 9 Industry, innovation and infrastructure SDG 12 Responsible consumption and production  Other SDGs targeted:

	SDG 5 Gender equality SDG 10 Reduced inequalities SDG 14 Life below water SDG 15 Life on land			
<b>8 a) DAC code(s)</b>	DAC code 330: trade facilitation and trade policies  DAC code 320: sustainable and socially responsible economic practices (Industry, mining, construction; 32161: Agro-industries; 32162: Forest Industries; 16070: Labour Rights; 16020: Employment creation); private sector development, including access to financing (DAC code: 32130 – Small and medium-sized enterprise (SME) development  DAC code 25040: Responsible Business Conduct			
<b>8 b) Main Delivery Channel</b>	10,000 Public sector institutions 40,000 Other multilateral institutions 60,000 Private sector institutions			
<b>9. Targets</b>	<input checked="" type="checkbox"/> Human Rights, Democracy and Governance <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Inequality			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" 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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input type="checkbox"/>	NO <input type="checkbox"/>	/
	digital governance	<input type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input type="checkbox"/>	
digital skills/literacy	<input type="checkbox"/>	<input type="checkbox"/>		
digital services	<input type="checkbox"/>	<input type="checkbox"/>		

	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES	NO	/
	energy	<input type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input type="checkbox"/>	
	health	<input type="checkbox"/>	<input type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line:14.020140 Total estimated cost: EUR 58,000,000 Total amount of EU budget contribution EUR 58,000,000 The contribution is for an amount of EUR 58,000,000 from the general budget of the European Union for 2024, subject to the availability of appropriations for the respective financial year following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>1</sup></b>	<b>Direct management</b> through: – Grants/procurement <b>Indirect management</b> with the entities to be selected in accordance with the criteria set out in section 4.3.3			

## 1.2 Summary of the Action

<p>Sustainable and Inclusive Economy is one of the main priorities under the Pan-American window of the Americas and the Caribbean Regional Multiannual Indicative Programme (MIP). Furthermore, it is highlighted as a priority area for building political alliances and partnerships with the region in the European Union – Latin America and the Caribbean (EU-LAC) Roadmap 2023. The proposed Programme will strengthen the EU’s partnership with the LAC region for sustainable and inclusive economic growth. It will help create the enabling conditions for the EU-LAC Global Gateway Investment Agenda presented during the EU-CELAC Summit in July 2023 and represents an opportunity for knowledge sharing between the EU and the private sector.</p> <p>AL-INVEST Next reflects the EU’s new development cooperation policy orientation. It seeks to continue various work strands previously implemented by the AL-INVEST Verde programme, integrate actions previously managed under the Foreign Policy Instrument (FPI) and to support new initiatives contributing to the latest EU strategic priorities.</p> <p>The <b>Overall Objective</b> of this action is to <b>promote</b> sustainable and inclusive economic growth <b>through an EU-LAC Partnership approach</b>.</p> <p>The <b>Specific Objectives/Outcomes</b> of this regional action are to:</p> <ol style="list-style-type: none"> <li>1 Strengthen EU-LAC trade and investment relations as enablers for sustainable and inclusive economic development (including by fostering innovation and Intellectual Property Rights);</li> <li>2 Support to sustainable, low-carbon, circular, climate-resilient and innovative value chains;</li> <li>3 Strengthen responsible business conduct practices in the LAC region, consistent with international and EU standards.</li> </ol>
---

<sup>1</sup> Art. 27 NDICI

This Programme will be complementary to regional TEIs, Flagships<sup>2</sup> and priorities. It will enhance the visibility of EU actions in the region and distinguish the EU from other partners. Furthermore, this Programme will seek complementarities with countries/regions where there is a regional/country multi-annual indicative programme (MIP) (e.g., Central America and the Caribbean). The EU is well positioned as a solid partner in the field of sustainable economic development and recovery. The Programme's design aims to embed recent strategic priorities (e.g., REPowerEU, due diligence, Deforestation-free supply chains, Critical Raw Materials Act, EU-LAC Digital Alliance, etc).

To deliver on this goal, the approach includes the reinforcement of bi-regional and intra-regional partnerships, peer-to-peer policy dialogues, knowledge sharing and technical support to LAC partners and EU operators. This approach will support ongoing policy dialogue on sustainable and resilient value chains, the implementation/uptake of Association Agreements/ trade agreements; it will support business and human rights, decent work, economic empowerment/inclusivity; and the transition to a circular economy. The Programme will contribute, and support projects developed under the Global Gateway Investment Agenda (GGIA) where possible.

## 2 RATIONALE

### 2.1 Context

As highlighted in the Joint Communication<sup>3</sup> JOIN (2023)<sup>17</sup> “A New Agenda for Relations between the EU and Latin America and the Caribbean”, **in a fast-changing global context, the EU-LAC relationship warrants a renewal. Increasing geopolitical challenges, a devastating pandemic, the global climate and environmental crises, technological changes and rising inequalities all underscore the case for intensifying dialogue and enhancing cooperation among close, trusted partners.** The global changes in both regions demand an ambitious and innovative approach beyond a traditional donor-recipient logic and in the spirit of the 2030 Agenda for Sustainable Development and the European Green Deal.

At the July 2023 EU-CELAC Summit, leaders pledged to renew and reinforce their long-standing partnership, including by strengthening cooperation in key areas such as global peace and security, trade and investment, climate change, justice and security for citizens, as well as in multilateral fora. Additionally, they recognised the potential contribution of the EU-LAC Global Gateway Investment Agenda, which will address investment gaps in line with the common priorities of the EU and Latin America and the Caribbean. The Global Gateway Investment Agenda offers a unique tool for both regions to reinforce their cooperation and embrace new opportunities for sustainable and inclusive growth.

**Yet, the world is facing an unprecedented mix of economic, climate, energy, food and debt crises.** Following a period of sluggish growth in 2015-2019, the LAC region faced its worst recession on record in 2020, in particular due to the COVID-19 pandemic. Meanwhile, the macroeconomic outlook and the fiscal situation has deteriorated owing to considerable expenditures to confront the pandemic's social and economic consequences. Poverty and income inequality have aggravated as a result. Inflation reached the highest rates in the last 15 years and the debt trap is affecting even economically stable countries (IMF, 2022)<sup>4</sup>. In this context, many LAC countries now need to mobilise higher domestic revenues to put public finances on a sustainable path and to advance their welfare systems, as a means towards reducing income inequalities, guaranteeing social and environmental protection and

<sup>2</sup> Regional: EU-LAC Digital Alliance; Green Transition; Inclusive and Equal Societies; Euroclima+; Amazon+; Five Great Forests of Mesoamerica; Security and Justice, sub-regional programmes e.g. Central America, the Caribbean and global TEIs such as Global Sustainable Supply Chains.

Bilateral: Green investments and sustainable value chains (Argentina); Digitalisation, innovation, scientific cooperation (Argentina); Green and Resilient Development (Bolivia); Green Deal (Brazil); Digital Transformation (Brazil); Green Hydrogen (Chile); Peace (Colombia); Green Alliance for Sustainable Development (Colombia); Green Recovery, Decarbonisation, and Sustainable Urban Mobility (Costa Rica); Ecological Transition (Cuba); Fostering Private Sector for a sustainable and inclusive recovery (Dominican Republic); Economic green recovery through circular and bio-economy (Ecuador); Digital Jobs (El Salvador); EU-Guatemala Alliance for Sustainable Growth and Jobs (Guatemala); EU-Guatemala Green Deal (Guatemala); Joint TEI in Forest Governance (Suriname/Guyana); Education TVET (Haiti); Green Partnership (Honduras); Fostering Green Economic Recovery, including Circular (Mexico); Social Cohesion (Mexico); Reducing inequalities (Paraguay); Green Deal emphasis on Sustainable Cities and Circular Economy (Peru); Green Deal – Environmental protection and Paris Agreement (Uruguay).

<sup>3</sup> [JOIN 2023 17 1 EN ACT part1 v7.pdf \(europa.eu\)](#)

<sup>4</sup> [Latin America Hit By One Inflationary Shock On Top of Another \(imf.org\)](#)

opportunities to their citizens, in particular the most vulnerable, and ensuring greater social cohesion and economic inclusivity.

LAC, particularly small island developing states in the region, is increasingly impacted by the effects of climate change, including through extreme weather events such as droughts, extreme rainfall, land and marine heatwaves and glacier melt. Deforestation rates remain high, impacting the environment and climate mitigation efforts. AL-INVEST Next will indirectly contribute to the green agenda and climate change adaptation and mitigation.

**An economic model that focuses on the export of commodities and is characterised by low productivity and high levels of informal work in a number of LAC countries has shown its limitations.** The recovery process is expected to be slow and will require a response to immediate negative economic impacts (e.g., rising inequalities) while also taking a long-term perspective on addressing longstanding structural weaknesses and modernising the region's economic matrix. In the spirit of building back better and more sustainable, **the EU will support the region's long-term economic development and recovery, continued modernisation and green, digital and just transition.** On digital and on space issues in particular, earmarked needs and developments taking place in the context of the EU-LAC Digital Alliance will be considered.

**The EU has the largest number of trade and association agreements with the LAC countries and is still the region's foremost investor.** However, full potential of the EU and LAC relationship remains to be realised, and other actors are increasing their economic presence. This Programme will seek to strengthen enabling conditions and provide support for the private sector to take full advantage of trade and investment opportunities between LAC and the EU, building on the Global Gateway Investment Agenda and taking advantage of opportunities arising under EU AA and trade agreements.

**At the same time, the European Green Deal, the Russian war of aggression against Ukraine, the energy crisis and challenges to global food security put EU association and trade agreements into a new perspective.** Beyond their overall positive economic impact, AAs and FTAs should also push further EU goals and global commitments related to climate neutrality and resilience, protection of biodiversity, and promoting sustainable consumption and production patterns (circular economy) but also a more sustainable energy mix. The EU's investment has evolved, in line with the Global Gateway, towards sectors with high potential for LAC's sustainable and circular transformation, including renewable energy (incl. green/sustainable hydrogen), agriculture and food systems, forestry and telecommunications, often involving research and development.

An example is the EU Action Plan on Critical Raw Materials that commits to develop strategic international partnerships to secure a diversified and sustainable supply of critical raw materials for the EU while developing local value added in a sustainable manner, in a win-win approach. The proposed Critical Raw Material Act will reinforce the EU's capacity to address strategic dependencies and points to strategic partnerships as one of the actions to diversify EU supply of strategic and critical raw materials and to promote a more circular low-carbon economy. In addition to the Critical Raw Materials Act, the EU Circular Economy Action Plan will also impact EU-LAC trade by strengthening standards for goods and services being placed on the EU internal market, e.g., in relation to the Sustainable Products Initiative, the EU Plastics Strategy, the Ecodesign Directive, Right to Repair, etc.

**As a horizontal priority the EU has set out an expectation that all businesses avoid and address negative impacts of their operations, while contributing to sustainable development in the countries where they operate.** The AL-INVEST Verde programme has significantly supported the LAC countries by providing support to Micro, Small and Medium-sized Enterprises (MSMEs) on the Green Agenda and traceability systems, technical assistance to the public sector. This is done by including and adapting to new standards and development of the EU *acquis* e.g. on deforestation-free supply chains, corporate due diligence, low carbon, resource and energy efficient, circular economy, transition towards sustainable food systems and further strengthening of Intellectual Property Rights (IPR) considering the role they can play to support sustainable development. Moreover, the future activities will build on the experience, know-how and lessons learned/acquired through the implementation of IP Key LA and AL-INVEST Verde Component 3. The Responsible Business Conduct (RBC) and Business and Human Rights (BHR) practices and policies in LAC countries have experienced significant progress in the past years, notably through widespread adoption of National Actions Plans. Previous actions have successfully generated increased awareness about the relevance of international instruments underpinning RBC by governments, businesses and other stakeholders, however, some challenges still remain to be tackled, and thus further actions are needed. Main outcomes include: i) enhanced development and implementation of coherent government policies promoting RBC/BHR; ii) greater understanding and capacity of LAC businesses and other

stakeholders to implement due diligence; iii) greater co-operation, mutual learning and development of joint initiatives that promote RBC/BHR in the region.

For the EU and Latin America and the Caribbean (LAC), it is of mutual interest to step up cooperation towards a sustainable, low-carbon, circular, climate-resilient and inclusive long-term economic development and recovery. AL-INVEST Next proposes to develop a comprehensive framework to leverage the collective weight of both regions in promoting a sustainable/resilient economic development and recovery, seek sustainable partnerships, improve the business environment whilst strategically responding to priorities, needs and developments in the EU.

## 2.2 Problem Analysis

*This section will introduce the problem analysis, which contains also a reflection on how the programme will address these through its actions.*

### **Uptake/implementation of Association Agreements (AA) and Free Trade Agreements (FTA) and investment climate**

The close EU and LAC trade and investment ties are underpinned by a network of EU bilateral and regional trade agreements. These represent a unique framework to further EU cooperation with key strategic partners in LAC. Translating the agreements into legislation, policy and practice comes with challenges. Implementation and utilisation of many of these agreements can be further improved. Cooperation, including commitments under the Agreement establishing the WTO and under numerous EU AAs and FTAs with LAC countries, should take into account considerations and challenges of both sides related to mitigating potential negative trade impacts in certain sectors, promoting sustainability and inclusive economy objectives and improving the business environment.

Trade agreements are not only about reducing tariffs; they provide, for instance, a platform for cooperation on regulatory standards or on sustainable and inclusive economy (i.e., trade and sustainable development, sustainable food systems), improve market access for small businesses, promote transparency in public procurement, provide predictability for EU investors in the region, improve the level of protection of IPR and contribute to the effectiveness of the IPR enforcement, etc. They can also serve to enhance exchanges with regards to new technologies and intellectual property (e.g. in the field of renewable energy and clean-tech) and support to diversification of EU supply chains of energy and critical raw materials, and facilitate the overall transition to the circular economy.

- This programme will support LAC countries in identifying main deterrents to foreign investors. This will be done by e.g. consultations of the relevant Commission services and the EEAS, as well as national and regional stakeholders, including the EU Delegations in LAC, competent national administrations, etc. Through technical assistance/cooperation and capacity building, support will be provided to LAC countries in becoming more attractive destinations for investment and innovation, including through support to protection and enforcement of IPR. This can be combined with actions to identify potential investments that would be in line with public policy objectives in both the EU and LAC, and identify obstacles to investment and trade in LAC for EU Micro, Small and Medium Size Enterprises (MSME)s. The aim being an enhancement of the investment climate and the promotion of opportunities for EU investors and companies. This objective will be achieved by facilitating exchange of information, peer-to-peer knowledge-sharing, and building mechanisms for feedback to the European Commission / the EU Delegations in LAC on core trade, sustainable investment and market access issues.
- This programme will ensure continuation of work on Intellectual Property carried out under AL-INVEST Verde Programme – its Component 3 (addressing interests of LA) and IP Key (addressing offensive interests of the EU; an action currently funded under PI that seeks to support technical dialogue/assistance on IP enforcement and protection between the EU and LA countries). The CarIPI project for CARIFORUM previously funded under the EDF will continue to be covered through the Caribbean Window of the Regional MIP. However, coordination mechanism, synergies and complementarities between the AL-INVEST Next and CarIPI shall be established to optimise the actions.

**EU legislation under the European Green Deal and other initiatives, such as legislation on deforestation-free supply chains and corporate sustainable due diligence<sup>5</sup> will have a significant impact on the LAC environment.** Partner countries have expressed concerns as to implications and impact of the EU's measures on

<sup>5</sup> [Due diligence: Regulation on Deforestation Free Products](#)

trade and on MSMEs. To safeguard the strong trade and investment linkages between the EU and LAC, the region (with support of the EU) will need to build the right enabling conditions to respond to these regulatory changes to foster competitiveness/compliance of businesses exporting and with links to value chains in European markets whilst ensuring the protection of the environment and the climate. This means enhancing capacity of businesses to implement social and environmental standards and due diligence across all sectors, and to ensure that value chains comply with upcoming regulations, with a particular emphasis on those at high risk (such a minerals/extractive, agriculture and forestry sectors). In this respect, the EU Space Programme and in particular the Copernicus component, provides satellite data and images which can assist businesses in complying with due diligence requirements. These regulatory developments also require robust government policies that promote and incentivise implementation and compliance. At the same time, transparency and building trust among stakeholders are key elements for building an enabling environment that allows for compliance with these new regulations in the region.

- The programme aims to contribute to building partnerships on sustainable, deforestation free, circular and innovative value chains and will hence support the implementation of the aforementioned regulations. The second pillar will specifically address this issue through capacity building on traceability, circular, low carbon, climate-resilient, resource and energy efficient, and sustainable value chains to help stakeholders adapt to EU legislative requirements and develop market opportunities. The third pillar that supports the inclusivity of LAC's economic development and recovery will address these issues in the context of RBC and BHR.

**Security and diversification of supply of critical materials is crucial for the EU green-digital transition.** Latin America holds many critical and other raw materials (e.g., lithium, niobium, manganese, graphite, copper, bauxite). The countries in LAC seek to maximise their benefit from these resources. They seek to increase local content and to make extraction and processing less damaging to the environment. Access to critical raw materials is a geopolitical priority for the EU. The EU Communication on Critical Raw Materials (CRM) and forthcoming CRM Act clearly establish the need for the EU to diversify its supply chains. They also highlight the EU's intention to build sustainable and responsible strategic partnerships on Raw Material Value Chains with resource rich countries.

- This programme will provide funding to support strategic partnerships on sustainable raw material value chains in LAC (Chile and Argentina in particular) where the EU has signed Memoranda of Understanding (MoUs) and is working towards the implementation of concrete Roadmaps. Moreover, it will also support countries that have expressed an interest in developing such partnership (e.g., Brazil), and other countries in the region.

**All of the above elements must be considered in the context of the ongoing green and digital transitions.** The use of EU space capabilities to promote digitalisation in LAC will be encouraged. Whilst presenting clear socio-economic benefits, the transition may negatively affect certain population groups and territories through job losses in certain segments and the transformation of industrial production processes. In some cases, there will be a need for reskilling or upskilling workers, as well as workers' mobility to accompany technological and sustainability transformations. Besides repercussions on jobs, the transitions may have an impact on incomes and their distribution, living conditions, social exclusion and barriers, energy poverty, access to public services or other social cohesion aspects.

- To address the inclusivity of LAC's economic development and recovery, the third pillar of AL-INVEST Next will work with the public sector and private sector and CSOs on Responsible Business Conduct (RBC) and Business and Human Rights (BHR) – taking account of upcoming EU *acquis* on due diligence. It will allow to work with the public sector and private sector and civil society organisations to strengthen the foundations for both voluntary and mandatory due diligence efforts. AL-INVEST Next will closely align with the EU programme on Inclusive Societies which is the main programme to address these aspects.

Key EU and LAC stakeholders are public institutions, private sector (including MSMEs and sector associations) and organisations responsible for policies that can contribute to improve a sustainable and inclusive economic development and recovery.

**Pillar 1 – Strengthen the enabling environment for EU – LAC trade and investment relations, in particular through implementation of EU association and trade agreements**

- Business Support Organisations (Chambers of Commerce, Business Associations) and industry leaders in EU and LAC as interlocutors;
- EU and LAC companies, including MSMEs;
- LAC partner governments / export promotion agencies;
- Civil society stakeholders with an interest in EU LAC trade;
- For the intellectual property part (including geographical indications): EUIPO, IP offices of the Member States, IP offices of LAC countries and relevant ministries for industrial development and law enforcement.

### **Pillar 2 – Support sustainable, low-carbon, circular, climate-resilient and innovative value chains**

- EU and LAC Business Organisations, private and public sectors entities involved with value chain development, climate-resilience, circular economy and traceability;
- On raw material partnerships: European Institute of Innovation and Technology (EIT) Raw Materials, European Raw Material Alliance, European Battery Alliance, upstream and downstream operators, Geological Surveys of the Member States and LAC countries.

### **Pillar 3 – Strengthen responsible business conduct practices in the LAC region**

- Implementing partners OECD, ILO and OHCHR;
- Private Sector associations as well as EU and LAC companies
- National Contacts points on RBC in LAC target countries;
- Relevant Ministries in LAC responsible for implementing National Action Plans on Business and Human Rights and for other areas covered by Responsible Business Conduct such as Environment and Labour.
- Civil Society Organisations including those representing workers and the environment.

### **Horizontal aspects applicable for the three pillars**

- Civil society and local authorities will have a key role to play in the multi-stakeholder approach that is proposed for AL-INVEST Next. To foster sustainable and inclusive economic development and recovery, engagement with civil society and local authorities is quintessential as per UN and OECD standards. Consultation and inclusion of local communities, indigenous peoples, and minorities, as well as the gender angle of entrepreneurship, is imperative for due diligence efforts by business to be conducive. The EU is a frontrunner in institutionalising the participation of civil society actors in trade agreements through the inclusion of Domestic Advisory Groups (DAGs) and joint civil society meetings. Our action will seek to foster adoption at sub-national and sectoral level to ensure centralised policy directives reach local authorities and stakeholders.
- From the EU side, relevant European Commission services such as DG TRADE, GROW, EMPL, AGRI, ENV, CLIMA, JUST, DEFIS, SANTE, HOME, ENER and the EEAS will be closely involved in the development, control and steering of the Programme. For all Pillars a strong linkage will be made with the work and demands of various EU Delegations and with Member States' (MS) Embassies in LAC, in a 'Team Europe' spirit. The Copernicus Centres in Panama and Chile and the Copernicus Relays and Academy members in the region will be associated when necessary. When opportune, further scale-up of activities can be sought through connections with EFSD+ and international/development finance institutions IFIs/DFIs, Team Europe Initiatives (TEIs) and efforts at MS level.
- The final beneficiaries of the Action are: the inhabitants of Latin American and Caribbean countries and its civil society; private sector enterprises in LAC; and, through support to the implementation of association/trade agreements, the European Union private sector.

## 3 DESCRIPTION OF THE ACTION

### 3.1 Objectives and Expected Outputs

The Overall Objective of this action is to establish an effective EU-LAC partnership on sustainable and inclusive economic growth.

The **Specific Objectives/Outcomes** of this regional action are to:

- 1 Strengthen EU-LAC trade and investment relations as enablers for sustainable and inclusive economic development (including by fostering innovation and IPRs);
- 2 Support sustainable and innovative value chains;
- 3 Strengthen responsible business conduct practices in the LAC region, consistent with international and EU standards.

Based on the Regional Multiannual Indicative Programme (MIP), the **Outputs/ Expected results** contributing to the Specific Objectives by this action are:

#### **Contributing to Specific Objective 1:**

- 1.1 Implementation of EU-LAC AA and FTA is strengthened<sup>6</sup>;
- 1.2 LAC sub-regional and regional integration processes are enhanced;
- 1.3 Investment climate and cooperation platforms enabling scaling up of EU-LAC sustainable, circular and socially inclusive investments are improved;
- 1.4 EU-LAC business-to-business links, including enabling environment and cooperation on industrial clusters, are strengthened;
- 1.5 EU-LAC cooperation on rules and technical standards, in particular at multilateral and regional level, is enhanced.

#### **Contributing to Specific Objective 2:**

- 2.1 Sustainable, deforestation-free, agriculture and food industry practices are promoted and schemes for sustainable, low carbon, circular and climate-resilient food systems, including agricultural/livestock/fisheries value chains are developed in partnerships with EU businesses;
- 2.2 EU-LAC partnerships on responsible and sustainable raw materials value chains;
- 2.3 Sustainable business models in emerging green/circular and blue economies, as well as the creative sector are promoted and enabled and related pollution reduced.

#### **Contributing to Specific Objective 3:**

- 3.1 Empowerment and green entrepreneurship opportunities, particularly for women, youth, indigenous peoples, and returnees as well as other minorities, are promoted and enabled
- 3.2 Public policies related to maximising creation of decent and green jobs in the process of economic development and recovery and to compliance with International Labour Organisation (ILO) conventions are enhanced;
- 3.3 Socially and environmentally responsible economic and business practices are promoted, in line with international principles and standards for Corporate Social Responsibility/ Responsible Business Conduct and Human Rights.

### 3.2 Indicative Activities

Activities will be based on shared principles, in line with EU and country/region priorities and respond to the momentum for reforms, taking into account the objectives of the Action and consultations with key EU and LAC

<sup>6</sup> This also includes AA and/or FTA that are subject to negotiations or finalisation.

stakeholders, including the EU Delegations, and competent national authorities. The activities under the programme will be complementary to actions of other TEIs and regional priorities.

**Activities related to Output 1.1 – *Implementation of EU-LAC association and trade agreements is strengthened***

- Support Market Access Teams in EU Delegations in Latin America and the Caribbean.
- Support analysis of identified market access barriers and challenges and establish their compatibility with local and international standards and rules, and establish their actual and potential impact on EU operators.
- Support micro-economic analysis on public policies; work on statistics and indicators; assess role of private sector investors; legal, institutional, and procedural issues; private sector development, employment creation and labour standards.
- Support better coordination between Export Credit Agencies (ECA) and EU MS bilateral chambers and business support organisations to ensure a coordinated EU business advocacy by for example supporting the creation of EU position papers.
- Provide ad-hoc advice to EU Delegations on specific regulatory and factual questions related to market access barriers.
- Support awareness building on trade and investment opportunities for EU and LAC M&SMEs.
- On IPR include support for the implementation of AA/FTAs; support dialogues and the interest of European innovators and right holders trading with or investing in LAC; contribute to the implementation of AA/FTAs and to further development, greater transparency and fair implementation of IPR protection and enforcement system in LAC, including through cooperation with competent national authorities, judiciary and/or enforcement authorities.
- Support to the development and maintenance of Geographical Indications (GIs)/ Denominations of Origin (DOs) in LAC.
- Studies and reports on IPR in LAC.

**Activities related to Output 1.2 – *LAC sub-regional and regional integration processes are enhanced***

- Promotion of regional and bi-regional policy dialogues on sustainable and inclusive economic development.
- Support to strengthening of institutional frameworks and inter-institutional coordination within the countries, and at regional or sub-regional level when relevant.

**Activities related to Output 1.3 - *Investment climate and cooperation platforms enabling scaling up of EU-LAC sustainable and socially inclusive investments are improved***

- Support the cooperation between EU and LAC stakeholders in forging better integrated and sustainable, low-carbon, climate-resilient circular and innovative value chains.
- Support implementation of association agreements to enhance investment climate.

**Activities related to Output 1.4 – *EU-LAC business-to-business links, including enabling environment and cooperation on industrial clusters, are strengthened***

- Provide financial support, through a Grant Scheme, to innovative projects testing new approaches on sustainable, climate-resilient, deforestation-free, economic practices and circular business models in agri-food value chains.
- Mapping, identification, matching and networking of potential applicants and projects from the EU and LAC.
- Dissemination of the experience and insights provided by the innovative projects at relevant levels.
- Support the implementation of strategic partnerships on raw materials in close cooperation with private sector to enhance investment opportunities.

**Activities related to Output 1.5 – *EU-LAC cooperation on rules and technical standards, in particular at multilateral and regional level, is enhanced***

- Support sector dialogues and relevant studies in LAC countries on sustainable, climate-resilient, circular and innovative value chains and traceability solutions.
- Strengthen and build institutions capable of designing, implementing, monitoring, and enforcing regulations; and to enhance the capacity, knowledge and skills of responsible ministries and government technical agencies to promote sustainable development.

- Build a consensus and buy-in of the different local and national actors involved in the implementation of sustainable development policies: consumer associations, trade unions, private sector, and the larger civil society.
- Establish an EU-LAC policy dialogue, a regional exchange of good practices.

**Activities related to Output 2.1** – *Sustainable, deforestation-free, food and agriculture practices are promoted and schemes for sustainable food systems, including agricultural/livestock/fisheries value chains are developed in partnerships with EU businesses*

- Provide financial support, through a Grant Scheme, to innovative projects testing new approaches on sustainable low-carbon and climate-resilient economic practices, and circular business models in agri-food value chains and critical raw material extraction, including traceability schemes.
- Technical dialogues between the EU and LAC countries on sustainable value chains.
- Where possible synergies with other regional programmes such as EUROCLIMA+, AMAZON+ and 5 Bosques de Mesoamerica is explored.

**Activities related to Output 2.2** – *EU-LAC partnerships on responsible and sustainable raw materials value chains*

- Identify and promote the joint development of innovative, climate-resilient, sustainable, circular and responsible raw materials value chains projects between public and private stakeholders from the EU and LAC.
- Enhance regional cooperation between Geological Surveys of the EU and LAC to support the development of a sustainable and responsible mining industry aligned with environmental, social and governance (ESG) standards (through the exchange of best practices, the preparation of case studies and the development of training activities).
- Increase the knowledge of critical and strategic mineral resources in LAC with a focus on the minerals that are necessary for the transition to a climate neutral economy.
- Improve mining waste management, resource efficiency and circularity by mobilising the potential of secondary raw materials.
- Improve environmental risk management in mining areas including impact assessment on water, soil and air quality, and mining induced hazards such as ground instabilities.
- Support the deployment of Earth Observation based solutions that can increase overall sustainability and public acceptance at all the stages of the raw materials life-cycle, from exploration to closure and aftercare in the EU and LAC.
- Improve the social, economic and environmental conditions of Artisanal and Small Scale Mining (ASM) operations.
- Promote and disseminate sustainable mining practices at regional level.

**Activities related to Output 2.3** – *Sustainable business models in emerging green and blue economies, as well as the creative sector are promoted and enabled and related pollution reduced*

- Support efforts towards building a consensus between different local and national actors involved in the implementation of sustainable development policies, in particular related to sustainable, regenerative deforestation free food production, processing, and distribution; sustainable and circular management of natural resources, with a focus on forest preservation, implementation of core labour standards and responsible/green business practices.

**Activities related to Output 3.1** – *Empowerment and green entrepreneurship opportunities, particularly for women, youth, indigenous peoples, and returnees as well as other minorities, are promoted and enabled;*

- Provide financial support, through a Grant Scheme, to innovative projects testing new approaches on sustainable economic practices and circular business models, including traceability schemes.
- Mapping, identification, matching and networking of potential applicants and projects from the EU and LAC.
- Dissemination of the experience and insights provided by the innovative projects at relevant levels.

**Activities related to Output 3.2-3.3:**

- Public policies related to maximising creation of decent and green jobs in the process of economic recovery and to compliance with ILO conventions are enhanced;

- Socially and environmentally responsible economic and business practices are promoted, in line with international principles and standards for Corporate Social Responsibility/ Responsible Business Conduct.

- Supporting the development and/or implementation of RBC related government policies, in particular National Action Plans (NAPs) on BHR and RBC, and strengthening of access to remedy.
- Enhancing the understanding and capacity of LAC businesses and other stakeholders to implement due diligence processes.
- Facilitating the sharing of experiences and lessons learned, and developing joint initiatives that promote responsible business practices.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

The EU is committed to make an overall effort to support better governance that enables just, green, sustainable, deforestation-free and inclusive transitions in the LAC region. The action will complement green and just interventions from the private and public sectors side and support a sustainable and inclusive economy recovery and development. Fully in line with the European Green Deal ambitions, the action mainstreams a broader approach aimed at supporting the transition to a circular economy. The principles of the circular economy - designing out waste and pollution, keeping products and materials in use for as long as possible, and regenerating natural systems - can deliver positive environmental impacts together with financial savings.

The Action per se does not require a Climate Risk Assessment (CRA), Strategic Environmental Assessment (SEA) or Environmental Impact Assessment (EIA) screenings (hence Category C applies). Still, key environmental and climate-related aspects will be considered for mainstreaming whenever this is possible, and considerations on potential negative environmental impacts and climate change will be taken into account in the definition, implementation and monitoring of the specific activities of this Action.

**Outcomes of the EIA (Environmental Impact Assessment) screening:** The EIA (Environment Impact Assessment) screening classified the action as Category B - action not requiring an EIA, but for which environment aspects will be addressed during design of the action. This action will include environmental concerns through output 3.4, thus mainstreaming environmental and biodiversity protection in its design. Copernicus data and in particular the Copernicus Land, Marine and Atmosphere Monitoring Services, will be also used to assess any environmental concerns.

**Outcome of the CRA (Climate Risk Assessment) screening:** The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

#### **Gender equality and empowerment of women and girls.**

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This means that gender equality is an important and deliberate objective, but not the principal reason for undertaking the project/programme. Gender equality is mainstreamed in the programme in line with GAP III<sup>7</sup>.

#### **Human Rights**

Work on Sustainable and Inclusive Economic development is in and of itself a cross-cutting activity, which at its core contains work that aligns with various salient issues of global concern. The action will apply a human rights-

<sup>7</sup> The Gender Action Plan III is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through EU Presidency Conclusions of 16 December 2020. Drafting was led by European Commission in close consultation with EU Member States, EEAS, civil society organisations, partner governments, and international organisations (UN entities, International Finance Institutions among others). The different parties contributed to the drafting of the document through meetings and through responses to a survey conducted during the process.

based approach. Support to the implementation of trade and association agreements will indirectly contribute human rights and social inclusion through possible support actions on TSD-chapters of trade agreements.

The proposed efforts on value chains and support to SMEs will mainstream human rights and thereby support the fight against exploitation of children through any form of work, as well as social inclusion in their design. They are quintessential for sustainable recovery and development.

The proposed action on RBC in Latin America and the Caribbean will mainstream human rights protection including women's rights, youth, labour rights (including child labour), minorities and indigenous communities in promoting BHR in the target countries.

#### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. Nevertheless, accessibility to seminars, events, workshops and information of persons with disabilities will be promoted throughout the activities of the programme.

#### **Reduction of inequalities**

Reduction of inequalities is a significant objective of this action as identified in section 1.1.

#### **Democracy**

Health and accountable democratic systems are enablers for the strengthening of sustainable and inclusive ecosystems. This action will provide a specific contribution by fostering the development of national action plans on Responsible Business Conduct and Business and Human Rights as well as improve the access to remedy.

#### **Conflict sensitivity, peace and resilience**

Sustainable and inclusive economies contribute to peaceful and stable societies and decrease the chance of social unrest. The action can contribute to foster a better approach to a participatory and inclusive ecosystems that recognise diversity. Besides, it will seek to contribute to the social integration, indigenous communities and other vulnerable groups into the development of private sector initiatives. Country conflict assessments produced for LAC countries should be taken into account when available (while taking into consideration their confidentiality and level of sensitivity).

#### **Disaster Risk Reduction**

More sustainable and inclusive economies may increase the resilience of populations if confronted with crises or disasters. The increased knowledge and use of Copernicus data and in particular the Copernicus Emergency Management Service will be encouraged in close cooperation with the Copernicus Centre in Panama.

#### **Other considerations if relevant**

Youth perspectives and youth engagement activities will be integrated in a horizontal manner along the objectives of the action, in line with the regional MIP and the Youth Action Plan in the European Union External Action for 2022-2027 (YAP). By enhancing meaningful youth participation and empowerment, the Action will contribute to ensure a right-based approach.

### 3.4 Risks and Lessons Learnt

<b>Category</b>	<b>Risks</b>	<b>Likelihood (High/ Medium/ Low)</b>	<b>Impact (High/ Medium/ Low)</b>	<b>Mitigating measures</b>
Macro-environment	Financial/economic challenges affect LAC countries' investments in cooperating on issues of pertinence to sustainable and inclusive economy.	M	H	Monitoring of macroeconomic stability in the region would enable to define mitigating measures if there were major financial or economic crisis in the region. Further mitigation takes place through our

				policy dialogues and TSD chapters in our AA/FTAs
Macro-environment	In a challenging economic context, LAC countries would not be interested or prioritise work on sustainable and inclusive economic development and recovery.	H	H	Interventions will match the countries' needs and be accompanied by bi-regional and bilateral dialogue to ensure ownership and support in-country coordination mechanisms. Emphasis will be on the mere fact that activities under this programme will not be zero-sum.
People and the Organisation	High turnover rate of officials in LAC governments may delay or hamper implementation of the programme	M	M	Ensure that the quality and relevance of the project is embraced across departments and political leanings. Frequent dialogue with incumbents is to ensure continuity beyond administrative change.
People and the Organisation	Social norms and values regarding gender equality anchored in society and resistances to gender transformative change	M	M	Awareness-raising on a systematic basis, conducting gender analysis in the sector at national/regional level, to update data and to identify pathways for change at national level
Planning, Processes, and Systems	Activities under the programme might overlap with or duplicate other programmes.	L	M	During the preparation and implementation phase close coordination with line DGs will ensure that the programme acts in full complementarity to other bilateral, regional and thematic programmes .

**Lessons Learnt:**

- Support to private sector (MSMEs) by means of grants is considered highly valued under previous AL-INVEST programmes by the LAC region. AL-INVEST Next will seek to continue these grants to foster bi-regional cooperation, strengthen value chains and support, deforestation-free supply chains, circular economy processes and the green transition.
- Technical assistance to the public sector provided under previous economic programmes remains a must for the region.
- Market Access Support Actions to AA and FTA in LAC used to be funded under FPI's policy support facility. Experience there has shown the necessity of having a facility in place that allows EU Delegations some flexibility in support with market access and enhance ease of use.
- Activities related to IPR were funded under the AL-INVEST Verde programme Component 3 and IP Key Latin America project. Under the new programme, offensive interests of both regions shall continue to be addressed. The presence of EU expert (including EUIPO) in Latin America has contributed to the effectiveness of IPR and its recognition by the partner countries.

### 3.5 The Intervention Logic

The intervention logic for this action is based on the need of continuation of actions of LAC and EU interest, and addressing strategic priorities covered by the current AL-INVEST Verde programme. The AL-INVEST Verde programme addresses issues such as sustainability, social, environmental and economic topics throughout global discussions and programming. In addition to social and environmental change, sustainability can contribute to the resilience of economies and competitiveness of private sector. The design and intervention logic of the programme are aligned with the strategic orientation provided for in the Regional MIP (Priority 3: Sustainable and Inclusive Economic Recovery), and also covers strategic areas previously covered under Foreign Policy Instruments (FPI). To build on the new momentum of the EU-LAC partnership, the programme proposes three inter-connected Pillars of activity.

**Pillar 1: Strengthen the enabling environment for EU – LAC trade and investment relations, in particular through implementation of EU association and trade agreements**

- utilise MERCOSUR, Andean Community, CARIFORUM, Chile, Mexico, Central America as vehicles for actions and policies to bring about change to economic models and practices in LAC.

- To implement this action, a Regional Market Access Support Facility is to be set up, absorbing former Partnership Instrument (PI) market access support actions. Moreover, an action on intellectual property rights (IPR) will ensure continuation of work carried out under Component 3 of AL-INVEST Verde Programme and IP Key (action currently funded under PI that seeks to support technical dialogue/assistance on IP enforcement and protection between the EU and LAC countries).

**Pillar 2<sup>8</sup>: Support sustainable, low-carbon, circular, climate-resilient and innovative value chains** - devising support actions to **facilitate the development of sustainable value chains** that are inclusive and are proofed for future EU *acquis* (e.g., as is the case for due diligence and the Deforestation free products regulation). This Programme is closely linked to the wider strategic ambition for the EU to foster stronger engagement with the region on value chains (e.g., on raw materials and diversification of energy supplies).

- The Programme will incorporate the former PI action on the EU-LA Partnership on Raw Materials and as such foster cooperation between EU and LAC Geological Surveys and support the implementation of bilateral partnerships with key countries in the region.
- The Programme will also incorporate work to build on Component 1 and 2 of AL-INVEST Verde - Innovative partnership projects for the green transition of SMES & Technical Assistance to the Public Sector.
- The Programme will also support LAC countries' adaptation to the EU Deforestation Regulation, in particular as regards the geolocation, traceability of certain products identified in the EU Deforestation Regulation and the geolocation requirements.
- The Programme will support circular economy processes and green transition.

**Pillar 3: Strengthen responsible business conduct practices in the LAC region** - continue efforts to **ensure that economic growth is paired with a qualitative leap in terms of inclusivity** through empowering gendered entrepreneurship opportunities, respect of Human Rights and avoidance of child exploitation, inclusion of minorities and local communities, promotion decent jobs and of socially and environmentally responsible business actions.

- To achieve this, the Programme will continue to implement the Responsible Business Conduct in Latin America and the Caribbean project. This action aims to promote smart, sustainable and inclusive economic growth in the region by supporting responsible business conduct (RBC) practices in line with international instruments and is also in line with the EU policy framework on RBC and its commitment to promote human rights, decent work and sustainable development.

<sup>8</sup> Close alignment will be sought with EU thematic programmes on Global Value Chains, existing work on CRM, and various thematic actions linked to Traceability and Sustainable Value Chains, Deforestation and developments of EU *acquis* on due diligence.

### 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 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.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Source of reference: Regional MIP

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	Strengthen EU-LAC partnership on sustainable and inclusive economic development			TBC		
Outcome 1	Strengthen EU-LAC trade and investment relations as enablers for sustainable and inclusive economic development (including by fostering innovation and IPRs)			TBC		
Outcome 2	Support sustainable, low-carbon, circular, climate-resilient and innovative value chains			TBC		
Outcome 3	Strengthen responsible business conduct practices in the LAC region, consistent with international and EU standards			TBC		

<b>Output 1.1</b>	Implementation of EU-LAC association and trade agreements is strengthened	A1) Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest which have been influenced ( <b>RMIP Indicator</b> )	0	TBC	Progress Reports and Evaluations	
		A2) EU-LAC trade volumes and investments as a % of LAC overall trade ( <b>RMIP Indicator</b> )	EU trade % of LAC total in 2022 FDI inflow in LAC from EU in 2022	TBC	ESTAT Statistic, World Bank, CEPAL annual reporting on investment flows	
<b>Output 1.2</b>	LAC sub-regional and regional integration processes are enhanced	B1) % of LAC intra-regional trade relative to total trade ( <b>RMIP Indicator</b> )	% of trade flows that was intra-regional in 2022.		CEPAL and WTO reporting	
		B2) Number of actions supporting regional integration and single-market approach as a main objective supported by the EU ( <b>RMIP Indicator</b> )	0	TBC	Program progress reports and evaluations	
<b>Output 1.3</b>	Investment climate and cooperation platforms enabling scaling up of EU-LAC sustainable and socially inclusive investments are improved	C1) Number of countries support by the EU to strengthen investment climate and incentivise environmentally sustainable and socially responsible investment ( <b>RMIP Indicator</b> )	0	TBC	Program progress reports and evaluations	
		C2) Trends related to flows of investment (I – EU position as investor in LAC, II – overall amounts of EU FDI in LAC yearly, III – main sectors of EU investment) ( <b>RMIP Indicator</b> )	2022 data	TBC	ESTAT/CEPAL yearly investment reports	
<b>Output 1.4</b>	EU-LAC business to business links, including enabling environment and cooperation on	D1) Number of EU-LAC private sector partnerships initiated with EU support ( <b>RMIP Indicator</b> )	0	TBC	Program progress reports and evaluations	

	industrial clusters, are strengthened					
<b>Output 1.5</b>	EU-LAC cooperation on rules and technical standards, in particular at multilateral and regional level, is enhanced	E1) Number of initiatives aimed at convergence of EU and partner country positions regarding regulatory standards (including, but not limited to, convergence in WTO and other multilateral fora) <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 2.1</b>	Sustainable, deforestation free, agricultural practices are promoted and schemes for sustainable, low-carbon, and climate-resilient agricultural/livestock/fisheries value chains are developed in partnerships with EU businesses	F1) Number of value chains originating in the partner country ensuring traceability with more sustainable practices as a result of EU interventions <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
		F2) Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 2.2</b>	EU-LAC partnerships on responsible and sustainable raw materials value chains	G1) Number of partnerships between EU and LAC companies involved in the raw materials value-chains <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
		G2) Number of initiatives taken by countries and mining companies to apply more sustainable practices and due diligence requirements with EU support <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 2.3</b>	Sustainable business models in emerging green, blue economies and the creative sector are promoted and enabled	H1) Number of countries with green economy-related policies/ strategies/ laws/ regulations: (a) developed, (b) under implementation with EU support <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
		H2) Number of MSMEs applying sustainable consumption and production practices with EU support <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	

		H3) Number of institutions and companies using Copernicus data and services to assess environmental concerns <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 3.1</b>	Private sector development and entrepreneurship is catalysed, including through improved access to finance, with a focus on MSMEs	I1) Number of government measures specifically targeting private sector development or entrepreneurship of MSMEs prepared with EU support <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
		I2) World Bank Ease of Doing Business report – number of yearly reforms for the LAC region <b>(RMIP Indicator)</b>	0	TBC	Ease of Doing Business Report – data on number of reforms	
<b>Output 3.2</b>	Empowerment and entrepreneurship opportunities, particularly for women, youth, indigenous peoples and other minorities are promoted and enabled	J1) Number of policies/initiatives supported by the EU to empower women, youth, indigenous communities afro-descendant communities and impaired; including in education, cultural and creative industries. <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 3.3</b>	Public policies related to maximising creation of decent jobs in the process of economic development and recovery and to compliance with ILO conventions are enhanced	K1) Number of processes and reforms promoting decent jobs creation supported by the EU <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
		K2) Number of actions supported by the EU to foster effective implementation of ILO conventions as well as promoting their ratification. <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	
<b>Output 3.4</b>	Socially responsible economic practices are promoted, in line with international principles and standards for Corporate Social Responsibility/responsible business conduct	L1) Number of actions supported by the EU to foster ratification and implementation of UN and OECD <b>(RMIP Indicator)</b>  Guidelines (including in relation to business and human rights and corporate social responsibility) <b>(RMIP Indicator)</b>	0	TBC	Program progress reports and evaluations	

		L2) Number of LAC NGOs, MSMEs and companies implementing responsible business conduct practices as a result of EU support ( <b>RMIP Indicator</b> )	0	TBC	Program progress reports and evaluations	
--	--	---	---	-----	--	--

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement.

### 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 in duly justified cases.

### 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 measures<sup>9</sup>.

#### 4.3.1 Direct Management (Grants)

##### **Grants: (direct management)**

A part of Pillar 1 (Market Access Support) and Pillar 2 (more specifically the grants provided to support activities on sustainable, low-carbon, circular value chains).

##### **(a) Purpose of the grant(s)**

The purpose of the grant will be the implementation of a set of the activities conducive to the achievement of the Specific Objectives 1 and 2 as mentioned in section 3.1.

##### **(b) Type of applicants targeted**

The type of applicants targeted for the Action are mainly legal entities, economic operators, international organisations, and NGOs, preferably from EU or LAC regions, that have the aim to support cooperation in the field of intellectual property, market access and the building of partnerships on sustainable value chains between EU and non-EU actors at multiple levels (national, (sub)regional, bi-regional, etc.), and from a multi-stakeholder perspective (i.e. including public entities, private sector, and other non-governmental actors as relevant).

The implementation of this part of the Action will require a type of implementing body with specific characteristics and competence in thematically relevant areas, as well as experience in the mobilisation of private-public networks in both regions. Having an already existing network of private sector entities and public entities in the field of intellectual property in both regions - EU and LAC- will be an element to consider when choosing the implementing entity.

Building upon existing structures, networks and acquired knowledge could allow to reach the expected results in the different countries where the network was active in a much quicker and timely manner. The selection of implementation entity will take this element into account.

##### **(c) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals only if one or more of the cases restrictively laid down in Article 195 of the Financial Regulation are duly substantiated and all the conditions for application of the

<sup>9</sup> [www.sanctionsmap.eu](http://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.

article are fulfilled. It will target applicants under the above mentioned criteria of technical competence and specialisation, as well as established networks, to meet the specific characteristics of the Action as spelled out in 4.3.1 (b)

#### 4.3.2 Direct Management (Procurement)

Procurement may be mobilised on *ad hoc* bases for the implementation of this Action in order to contribute to the achievement of the Specific Objectives 1 and 2, as described in section 3.1., as well as to respond to horizontal needs in terms of coordination, technical support or achievement of the selected DAC markers of the Action.

#### 4.3.3 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with one or various entity(ies), which will be selected by the Commission's services using the following criteria:

- Pillar-assessed entities, or those organisations exempted from pillar assessment requirements.
- Capacity to mobilise expertise (public and/or private as required) on the key topics covered by this Action.
- Experience working in one or various of the key domains covered by the specific objectives of this Action, preferably in Latin America and/or the Caribbean and in the nexus with EU operators.
- Experience in the organisation of policy dialogues, preferably in Latin America and/or the Caribbean.
- Capacity to access regional networks and/or mechanisms to convene key stakeholders of both LAC and EU regions with a multi-actor approach (including non-state actors and private sector if needed).

The Action related to Pillar 1 (proposed activities on Intellectual Property) and those for Pillar 3 are foreseen to use Indirect Management. Also activities foreseen under Pillar 2 on Critical Raw Materials are foreseen to use indirect management. Yet, as stipulated under article 4.3.4 a change to direct management could be envisaged in case of unsuccessful results in the procedure leading up to contract signature. .

#### 4.3.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

The alternative implementation modality in indirect management could be used if the implementation modality in direct management cannot be implemented (and vice versa) due to circumstances outside of the Commission's control, or due to unsuccessful results in the calls and/or procedures leading to the contract signature.

#### 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 <sup>10</sup>	EU contribution (amount in EUR)	Third-party contribution, in currency identified
<b>Implementation modalities</b> – cf. section 4.3		
<b>Objective 1: Strengthen EU-LAC trade, investment and economic relations as enablers for sustainable and inclusive economic development and recovery</b> , composed of	15,000,000	TBD
Indirect management– cf. section 4.3.3 and 4.3.4.	5,000,000	TBD
Grant (direct management) – cf. section 4.3.1	10,000,000	
<b>Objective 2: Support LAC’s transition to innovative and sustainable economic practices and value chains</b> , composed of	33,000,000	TBD
Procurement (direct management) – cf. section 4.3.2	11,000,000	
Grants (direct management) – cf. section 4.3.1		
Procurement (direct management) – cf. section 4.3.2	10,000,000	
Grants (direct management) – cf. section 4.3.1		
Indirect management with pillar assessed entities, or those exempt from pillar assessment preferably EU MS or EU agency, or international organisation- cf. section 4.3.3 and 4.3.4.  Direct management: Procurement – cf. section 4.3.2.	12,000,000	
<b>Objective 3: Support the inclusiveness of LAC’s economic development and recovery</b> , composed of	10,000,000	TBD
Indirect management (contribution agreement) with pillar assessed entities, or those exempt from pillar assessment preferably EU MS or EU agency, or international organisation- cf. section 4.3.3 and 4.3.4.	10,000,000	
<b>Evaluation</b> – cf. section 5.2	To be covered by another	N/A
<b>Audit</b> – cf. section 5.3	Decision/source of funding	
<b>Total</b>	58,000,000	TBD

<sup>10</sup> N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

## 4.6 Organisational Set-up and Responsibilities

In order to guarantee the global strategic orientation of the programme and review the progress in implementation of actions foreseen under the programme, the European Commission will convene and chair a Steering Committee for the programme. This Committee will be composed of the European institutions involved in the Regional Country Team and programme's implementing partners. The Steering Committee will be tasked with providing recommendations on the Annual Work Programmes and on the annual progress reports issued by the programme's implementing partners.

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 and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

## 4.7 Pre-conditions

N/A.

# 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 partner's 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 (at least annually or twice a year) 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 (for project modality).

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).

Implementing partners will provide information on the proposed arrangements for the monitoring and reporting on the indicators that have been defined for the logframe matrix of the Action, including the definition of baselines and data collection. This should be envisaged in the proposals under their responsibility, indicating any implications in terms of budget or implementation, as well as in terms of division of duties with other implementing partners involved in the Action.

## 5.2 Evaluation

Having regard to the important and nature of the action, a final evaluation(s) may be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the external dimension of EU policies.

The Commission shall inform the implementing partner at least 30 days 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.

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.

The financing of the audit shall be covered by another measure constituting a financing decision.

## 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 or regional 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);

<b>Action level (i.e. ,Budget Support, blending)</b>		
<input type="checkbox"/>	Single action	Present action: all contracts in the present action
<b>Group of actions level (i.e., top-up cases, different phases of a single programme)</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action(s)>
<b>Contract level</b>		
<input checked="" type="checkbox"/>	Single Contract 1	Direct management with Framework Contract INTPA D
<input checked="" type="checkbox"/>	Single Contract 2	Indirect management with EUIPO
<input checked="" type="checkbox"/>	Single Contract 3	Direct management with - to be specified at contract level
<input checked="" type="checkbox"/>	Single Contract 4	Direct management with - to be specified at contract level
<input checked="" type="checkbox"/>	Single Contract 5	Direct management with - to be specified at contract level
<input checked="" type="checkbox"/>	Single Contract 6	Indirect management with ILO, OECD and OHCHR
<b>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)</b>		
<input type="checkbox"/>	Group of contracts 1	