EN

THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 1

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

Action Document for the regional programme on EU – Latin America and Caribbean Investment Facility LACIF

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

1. Title **CRIS/OPSYS business reference** **Basic Act**	Latin America and Caribbean Investment Facility LACIF OPSYS number: ACT-61002 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	☐ Not applicable ☒ Supporting (inter alia, namely 1) "green transition", (2) "Amazon Basin", (3) "EU LAC digital alliance", (4) "Inclusive and equal societies", (5) the EU-LAC health initiative
3. Zone benefiting from the action	Latin America and the Caribbean region (LAC)
4. Programming document	Multiannual Indicative Programme for the Americas and the Caribbean for the period 2021-2027 (MIP-LAC)[1] Country Multi Annual Indicative programmes 2021-2027 Ecuador[2] Country Multi Annual Indicative programmes 2021-2027 for Cuba
5. Link with relevant MIP(s) objectives / expected results	**The MIP-LAC 2021 identifies 5 priority areas:** 1) Green Transition; 2) Digital transformation and innovation; 3) Sustainable and inclusive economy; 4) Democratic Governance, Security and Migration; and 5) Social cohesion and addressing inequalities. **This action is contributing to the specific objectives/results of priority area 1,2 and 3**. It has potential for strong complementarities with priority areas 4 and 5.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Green Transition, Digital transformation, Sustainable and inclusive economic recovery, Social cohesion, fighting inequalities and human development

[1] Commission Implementing Decision adopting a Multiannual Indicative Programme for the Americas and the Caribbean for the period 2021-2027, C(2021)9356 on 13.12.2021

[2] See section 3.5 for details

7. Sustainable Development Goals (SDGs)	Main SDG: SDG 17 Partnership for the goals Other significant SDGs: SDG 3: Health SDG 5: Gender Equality SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 10: Reduced Inequalities SDG 11: Sustainable Cities and Communities SDG 12: Sustainable Consumption and Production SDG 13: Climate Action SDG 14: Life below water SDG 15: Life on land
8 a) DAC code(s)	DAC codes are in order of representation in the historical data and are not exclusive of other potential sectors. Percentages cannot be estimated at this stage. 230 Energy 140 Water Supply & Sanitation & Waste 250 Business and other Services 210 Transport and storage 410 General Environment Protection 430 Urban & Rural Development 730 Reconstruction Relief & Rehabilitation 240 Banking and financial services 15190 Facilitation of orderly, safe, regular and responsible migration and mobility 310 Agriculture, Forestry, Fishing 320 Industry 121, 122, 123 Health
8 b) Main Delivery Channel	42000 – European Investment Bank 46000 – Regional Development Banks 10000 – Public Sector Institutions 40000 Other multilateral institutions

10. Markers (from DAC form)	**General policy objective** @	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment @	☐	☐	☒
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☐	☒	☐

	Inclusion of persons with Disabilities @	☒	☐	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☒	☐	☐
	Combat desertification @	☒	☐	☐
	Climate change mitigation @	☐	☒	☐
	Climate change adaptation @	☐	☒	☐
11. Internal markers and Tags	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @	☐	☒	☐
		YES	NO	
	digital connectivity	☒	☐	
	digital governance	☐	☒	
	digital entrepreneurship	☒	☐	
	digital skills/literacy	☐	☒	
	digital services	☒	☐	
	Connectivity @	☒	☐	☐
		YES	NO	
	digital connectivity	☒	☐	
	energy	☒	☐	
	transport	☒	☐	
	health	☐	☒	
	education and research			
	Migration @	☒	☐	☐
	Reduction of Inequalities @	☐	☒	☐
	COVID-19	☒	☐	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget lines: BGUE-B2023-14.020140-C7-INTPA: EUR 19 210 000 (LA) BGUE-B2023-14.020141-C7-INTPA: EUR 40 000 000 (CAR) BGUE-B2024-14.020140-C1-INTPA: EUR 35 010 000 (LA) Total estimated cost: EUR 94 220 000 Total amount of EU budget contribution EUR 94 220 000			

MANAGEMENT AND IMPLEMENTATION	
13. Type of financing	**Indirect management** with the entities to be selected in accordance with the criteria set out in section 4.3.1; in accordance with the NDICI Blending award procedure.

1.2 Summary of the Action

The Latin America and Caribbean Investment Facility (LACIF) is the blending facility under EFSD+, which aims to boost access to funds from financial institutions for key investments for sustainable and inclusive infrastructure development and, since 2023, with a focus on the implementation of the EU-LAC Global Gateway Investment Agenda (GGIA).

Blending is an important tool to operationalise EFSD+ under the Pan-American window of the Americas and the Caribbean Regional Multiannual Indicative Programme (MIP) and the country MIPs. The EU is well positioned as a solid partner in the field of blended investments operations in the region. The Programme's design builds on a 15-years track record of the previous facilities, namely the Latin America Investment Facility (LAIF) and the Caribbean Investment Facility (CIF) with a total EU contribution of EUR 681 000 000, having mobilised investments totalling EUR 7.4bn between 2010-2022.

The replenishment of LACIF is essential to ensure financing for the EU-LAC GGIA. A robust pipeline of projects has been prepared over the past months as part of the EU-CELAC Summit preparations, focussing on i.a., renewable energy, water and sanitation, economic development, critical raw materials. By July 2023, the LACIF blending pipeline contained more than 40 projects for a total potential EU contribution of EUR 300M, which is a diversified and strong basis for project discussion, prioritisation, and selection. Further, blending constitutes an optimal tool to build political alliances and partnerships with the region.

The overall objective of the Action is to foster sustainable and inclusive economic, environmental, and social development, by mobilising investments in key Global Gateway sectors. This is achieved through investments in the following sectors: MSMEs; Connectivity (energy, transport and digital); Natural Capital (agriculture, biodiversity, forests, water); Sustainable Cities (including sanitation and water sector); Human Development and Sustainable Finance.

All actions supported should be compatible with the objectives of the Paris Agreement and the "Do No Harm" principle. This action is also aligned with the Gender Action Plan III and its priorities: "Addressing 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". The Global Gateway Strategy states that: "The Global Gateway will ensure that the benefits of investment are accessible in a fair and equitable manner. In this spirit, we will ensure that projects and investments are inclusive, especially in terms of gender equality".

LACIF is a regional facility and does not constitute a TEI but contributes to the implementation of several regional[3] and country TEIs, GG Flagships and priorities and will boost the quality and consequently the impact of investments. The aim is also to reinforce the added value of EU financing and enhance the visibility of EU actions in the region. To deliver on this goal, the approach includes the reinforcement of regional and intra-regional partnerships, policy dialogues, and is accompanied by technical support to EU Delegations and HQ.

LACIF is implemented under indirect management with so-called lead financial institutions through contribution agreements. Projects are developed by the lead financier (European development banks mainly) in close consultation with Delegations, INTPA and other Commission services. The quality of new blending projects is ensured by the EFSD+ governance framework which includes scrutiny by the Technical Assessment Meetings (TAM) and EFSD+ Board. Specific objectives as well as

[3] LACIF contributes to following regional TEIs: 1) "green transition", 2) "Amazon Basin", 3) "EU LAC digital alliance", 4) "Inclusive and equal societies", and 5) the EU-LAC health initiative (Team Europe format)

results indicators will be defined at individual project level and approved under the NDICI Blending Framework. LACIF will provide contributions mainly in form of investment grants and technical assistance but can also support financial instruments (such as equity participations).

EFSD+ provides for a comprehensive approach including guarantees and technical assistance to improve the quality of investment projects and the implementation of reforms which can complement the blending operations to promote investment both at sovereign and non-sovereign level.

Demand for support using the LACIF has increased in past years and evaluations of the ongoing operations confirm the added value and effectiveness of blending in mobilising substantial financing for development and contributing to the development results, especially in the areas of climate change and SME promotion.

2 RATIONALE

2.1 Context

The world is facing an unprecedented mix of economic, energy, food, and debt crisis. For the EU and Latin America and the Caribbean (LAC), it is of mutual interest to step up investments towards a sustainable, resilient, and inclusive long-term economic recovery.

As highlighted in the 2023 Joint Communication[4], "Through Global Gateway, the EU can leverage quality investments to help address LAC's infrastructure needs, support the development of human capital, including empowerment of people, especially women, youth and the most vulnerable, and strengthen the enabling business and regulatory environment, with the aim of creating local added value, growth and quality jobs. Global Gateway is a positive and values-based investment offer, respecting high international standards. It proposes a choice for a shared economic, social, and regulatory path based on a human-centric approach and the principles of sustainability, openness, inclusiveness, accountability and respect for fundamental rights. LAC has a strong baseline for Global Gateway cooperation: there are already substantial EU investments, and both regions have policy agendas based on shared values. The Global Gateway investment agenda will therefore identify fair green and digital investment opportunities in LAC, which will benefit from the open and non-discriminatory environment generated by trade and investment agreements."

Following a period of sluggish growth in 2015-2019, the LAC region faced its worst recession on record in 2020, aggravated by the COVID-19 pandemic. **The macroeconomic outlook and the fiscal situation deteriorated owing to considerable expenditures to confront the pandemic's social and economic consequences**. Poverty and income equality have aggravated as a result. Inflation reached the highest rates compared to the last 15 years and the debt trap is affecting even economically stable countries.[5] Many LAC countries are faced with a dawning public finance outlook which limits the options for investment in strategic infrastructure projects needed to attain the SDGs.

The cascading shocks that have affected the countries have had a profound impact on the development trajectory of the region. 2023 marks the end of a 10-year period over which growth in the region will have averaged only 0.8%, lower than the 2% recorded in the last decade. The economic slowdown and recent shocks have undermined the achievement of many of the SDGs, putting many of the targets off-track and at risk of not being met by 2030. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that only 25% of the targets for which information is available appear to be on course to be met by 2030. Consequently, t**he region requires greater investment and financing to get back on track to meet the SDG targets by 2030**.

The demand for development funding for SDG related investments has been increasing, including to finance capital-intensive projects such as infrastructure, spur sustainable growth and create decent jobs through support to small and medium enterprises (SMEs), and assist partner countries in climate change adaptation and mitigation. Many partner countries cannot access such funding through financial markets at the needed scale and cost, partly due lack of bankable project designs and to market failures

[4] JOIN(2023) 17 "A New Agenda for Relations between the EU and Latin America and the Caribbean"
[5] Latin America Hit By One Inflationary Shock On Top of Another (imf.org)

such as asymmetric information or unpriced externalities which are at the origin of a gap between private and social returns. Public support can bridge these gaps and make projects happen. Partner countries are also now looking at more complex projects – often multicomponent, sometimes multi-sector – that contribute to inclusive and sustainable growth. Such projects require tailored innovative financing instruments.

The Russian invasion of Ukraine caused an energy crisis and impacted global food security put the association and the opportunities of the EFSD+ in a new perspective. The European Green Deal also provides a new momentum for EFSD+, and more particular blending operations, as these mobilise concessional financing for global commitments related to climate neutrality, protection of biodiversity, more sustainable consumption, and production patterns but also diversification of the energy mix and supply.

The proposed action aims at mobilising and leveraging crucial financial resources for the Global Gateway Investment Agenda in Latin America and the Caribbean. Blending is a well-established instrument in the region with a good track record in promoting and leveraging financial resources for key investments. Blending is a flexible tool which allows responding swiftly to national, regional, and global challenges, while contributing to policy dialogue and political engagement under the leadership of EU Delegations.

A robust pipeline of blending projects has been built with different development finance institutions, as part of the EU-CELAC Summit preparations. A thorough screening of each proposal is being ensured based on its contribution to operationalise the EU-LAC GGIA.

EU investment has evolved, in line with Global Gateway, towards sectors with high potential for LAC's sustainable transformation, including renewable energy (incl. green/sustainable hydrogen), agriculture, forestry and telecommunications, often involving costly research and development. By providing a grant element, these key investments can be unlocked. With the global extension of the External Action Guarantee (EAG), the Latin American and Caribbean region can count on a variety of instruments to promote investment both at sovereign and non-sovereign level. For instance, scaling-up of successful blending operations can be envisaged through the EFSD+ open architecture window. An example is the Triple Inclusive Finance (TIF) operation by COFIDES/AECID[6] which was initially a blending operation under LAIF and has now evolved/graduated to a (potential) larger guarantee operation[7].

To ensure complementary and coherence, close cooperation within INTPA and with Commission services will be ensured.

2.2 Problem Analysis

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

The region requires greater investment and financing to get back on track to meet the SDG targets by 2030. It is not only the economic slowdown and recent shocks but also the slow growth in the 10 years from 2014–2023 that have cumulatively undermined the achievement of many of the SDGs, putting many of the targets off-track and at risk of not being met by 2030. CELAC estimates that only 25% of the targets for which information is available appear to be on course to be met by 2030.[8] Goal 1 (end poverty), Goal 11 (sustainable cities and communities), Goal 13 (climate action) and Goal 16 (peace, justice and strong institutions), forecasts based on the available data suggest that the desired thresholds will not be reached by 2030. For Goal 5 (gender equality), Goal 6 (clean water and sanitation) and Goal 10 (reduced inequalities), projections based on existing data show that less than 15% of their indicators have a good prospect of achieving the expectations set for 2030. Specifically for Goal 5, of the eight targets analysed by CELAC, it is established that "for seven targets, the trend is in the right

[6] The TIF (Triple Inclusive Finance) programme, led by COFIDES and AECID, obtains the support of the EU (COFIDES)

[7] The guarantee negotiations for the TIF II are still ongoing.

[8] 'Halfway to 2030 in Latin America and the Caribbean: progress and recommendations for acceleration', ECLAC April 2023.

direction, but progress is too slow for the target to be met, and only one target has already reached or likely to be reached on the current trend". Gender equality remains an important challenge for the region, the labour force participation of women reached a regional average of 27.6% whereas for men the number was 11.2%. This means that almost one third of women in the countries of the region depend on other's income for their own subsistence, which makes them vulnerable and economically dependent on others, who are in most cases men.[9] The digital transformation in the regions will require much needed support and special attention, as 4 out of 10 women in the region are not connected or cannot afford effective connectivity and 68% of urban households in the region were connected to the internet whilst only 23% of households in rural areas had access[10].

Consequently, **the region requires greater investment and financing to get back on track to meet the SDG targets by 2030**.

The Latin American and Caribbean Investment Facilities have, since their launch, focused on capital-intensive sectors (mainly infrastructure) oriented towards SDG achievement. The blending instrument includes typically a grant component which will de-risk highly needed investments and consequently catalyse investments for SDG in the region. The Programme's design is built on 15 years of experience in the region with a portfolio of EUR 681M, having mobilised investment totalling EUR 7.4bn; a financial leverage of around 7 times the EU contribution. Innovative sustainable finance instruments are actively promoted by LACIF, such as the green and sustainable bonds and initial projects can be further scaled up in the future.

Public debt levels were on the rise in Latin America and the Caribbean before the exceptionally large increases caused by the coronavirus disease (COVID-19) pandemic. The COVID-19 pandemic aggravated this trend, as countries implemented unprecedented support packages that were funded in many cases by debt issuance and emergency financing from international financial institutions. The vulnerabilities associated with high public debt in the region are heightened by its composition. For several countries in the region, public debt is largely held by non-residents in foreign currencies. Countries face critical trade-offs between debt service and pursuing development objectives. Higher debt has led to a stepwise increase in interest payments in the region, Interest payments are higher than central government social expenditure in health, education and social protection in several countries. Unfavourable debt dynamics are expected to persist, further reducing fiscal space.

LACIF will leverage only concessional borrowing, even to these countries with high indebtedness levels. The grant element of the blending operation will make certain investments (fiscally) viable and unlock the highly needed financing for the SDGs. In line with the do no harm principle, coordination with the IMF will be sought for highly indebted countries.

Infrastructure development is typically conflict-sensitive and prioritising investments in high impact, sustainable and inclusive projects remain challenging. Important capital investments must be made inter alia to rehabilitate, modernise, or build essential infrastructures needed for a low-carbon, efficient and safe production, sustainable transport and energy projects require high quality assessments and feasibility studies. It is also vital to progress towards an effective environmental protection, to protect biodiversity and ensure access to quality water, air and soil, and to promote climate change adaptation and mitigation measures and promote a sustainable and inclusive management of natural resources. These sectors are often capital intensive, and liquidity is required either for the construction part (IG) or the capacity building side (TA). Whilst such projects are often in the public sector realm, private sector is also involved via public-private financing ventures. Further, infrastructure planning should also prepare for a green transition economy and avoid potential future carbon lock-in. In addition, capital (including human capital) is needed for the provision of basic social quality services for all people such as health and education. Strengthening health and education systems and other forms of social protection require a combination of infrastructures (facilities connected in a network with incentives to human resources and gender-responsive and inclusive adequate policies).

[9] People without incomes of their own | Gender Equality Observatory (cepal.org))

[10] Gender equality and women's and girls' autonomy in the digital era: contributions of education and digital transformation in Latin America and the Caribbean (cepal.org)

The blending instrument mostly includes a technical assistance component which ensures high quality environmental and social impact assessments and feasibility studies which will contribute to better quality project design and implementation.

Although climate change is a global phenomenon, the LAC region is suffering more of its impacts then it generates emissions. Latin America and the Caribbean accounts for just 10% of GHG emissions, whilst its effects pose enormous economic threats to the Central America and the

Caribbean region. This is particularly crucial for the small island developing states in the region, which face a unique set of obstacles towards their sustainable development. The Caribbean for instance suffered no less than 326 natural disasters between 2000 and 2021, it has also experienced acceleration of coral bleaching, increased sargassum infestation, and rising sea levels. The rising sea levels will directly affect app. 70 % of the Caribbean population which lives in coastal cities or within 1.5 kilometres of the coast. Especially, women and girls in developing countries are particularly affected by the impact of climate change and environmental degradation**,** such as ecosystem loss, loss of access to key natural resources, malnutrition and respiratory, water-related and vector-borne diseases.[11] In addition, Caribbean and CA countries have a high reliance on environmental resources and services to sustain their economy which is based primarily on tourism and agriculture.

Particular attention will be given to tackle climate change (prevention of emissions, adaptation and mitigation) in LAC. Over 80% of LAIF and CIF projects included a climate- change component (mostly mitigation) and around 60% of projects directly contribute to the green transition over the last 15 years. LACIF investments for SME's have included green approaches, and new instruments such as Green Bonds or equity contributions have been piloted over the past years. Digital, social and economic resilience will be continuously integrated in the future LACIF's portfolio, in accordance with the guiding principles of gender equality, human rights, environmental protection, resilience and conflict sensitivity. LACIF has been designed to allocate approximately half of the available funds to the Caribbean region to tackle their multiple vulnerabilities.

Key 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 recovery and development.

The **beneficiaries** of the Facility will be Latin American and Caribbean countries via their central and local or sub-sovereign institutions, and the private sector, in particular, local financial institutions and MSMEs.

The **implementing partners** include European or regional financial institutions that are eligible to become lead financial institutions. European financial institutions will be encouraged to team-up with regional financial institutions as co-implementors as this will enhance capacity building of the local/regional financial institutions in LAC.

As per NDICI regulation, the involvement of non-European financial institutions as lead financiers requires ex-ante approval by the EFSD+ Blending Board. This approval will be sought on a case-by case basis, based on the specific added value in a particular project or region. These exceptions could include situations where non-European financial institutions might contribute to fill a specific need such as: a) thorough knowledge of local conditions and presence in the region (particularly in the case of the Caribbean where European financial institutions have limited presence) b) specific analytical capacities and expertise or know-how, notably on private sector financing and the promotion of financial instruments and/or of innovative financing tools that attract private funding or on social cohesion or migration, c) additional technical and/or financial capacity to substantially leverage further resources.

After careful analysis of the existing blending pipeline proposals and partner countries' investment priorities carried out in coordination with EU Delegations, INTPA B will inform European financial institutions about the priority sectors and countries for which adequate investment proposals are lacking. Only if subsequently European financial institutions do not submit suitable proposals, the blending

[11] 'EU Gender Action Plan (GAP) III – an Ambitious Agenda for Gender Equality and Women's Empowerment in EU External Action'

Board approval will be sought for non-EU financial institutions proposals. This procedure would speed up the process and allow LACIF to invest in priority sectors identified (Global Gateway Investment Agenda). This strategy would also ensure constructive relations with partner countries, for which the regional financial institutions are important financial stakeholders.

Horizontally

Civil society and local authorities (including organisations of women and persons with disabilities, among others) will have a key role to play in the multi-stakeholder approach that is proposed for LACIF.

- Engagement with civil society and local authorities is important as per UN and OECD standards. Consultation and inclusion of local communities and minorities is imperative for due diligence efforts by the development finance institutions, and special attention will be paid to encourage the participation of women and persons with disabilities, among other groups.
- From the EU side, relevant Commission services will be involved in the screening of blending operations proposed by development finance institutions. All application forms for blending operations will be submitted for consultation with relevant Commission services.
- The final beneficiaries of the Action are the inhabitants of Latin American and Caribbean countries (in particular women and persons with disabilities, among others), private sector enterprises in LAC and through support to the provision of technical assistance also the European and regional development finance institutions.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The overall objective of the Action is to promote sustainable and inclusive economic, environmental and social development in Latin American and the Caribbean.

The Specific(s) Objective(s) of this action are to:

Specific Objective 1: To increase the access to modern, gender-responsive and inclusive energy, transport, water, sanitation and/or other basic services in accordance with the Green Deal principles and NDC commitments (SDGs 3, 5, 6, 7, 9, 11, 13, 14, 15 and 17; contributing to the LAC-MIP 2001 priority of Green Transition).

Specific Objective 2: To enhance backbone digital connectivity in line with the Digital Transition (SDG 5, 9 and 17; contributing to the LAC-MIP 2001 priority of Digital transition and innovation).

Specific Objective 3: To increase the access of MSMEs to gender-responsive and inclusive financing mechanisms and solutions that facilitate a resilient transition to sustainable and low-carbon production models (special attention to those led by women and young people) (SDGs 5, 8, 10, 12 and 17; contributing to the LAC-MIP 2001 priority Sustainable and inclusive economy)

Specific Objective 4: To increase the investment volume of financial institutions for inclusive and sustainable development in the LAC region.

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:

Output 1.1. Enhanced resilient and efficient infrastructure to produce renewable energy

Output 1.2 Improved infrastructure for inclusive transport and sustainable urban development

Output 1.3. Improved infrastructure for sustainable water and sanitation solutions

Contributing to Outcome 2 (or Specific Objective 2)

Output 2.1. Increased connection to improved open, affordable and secure broadband connectivity and digital infrastructure

Contributing to Outcome 3 (or Specific Objective 3)

Output 3.1 Increased availability of adequate financial products and services for MSMEs

Output 3.2. Increased capacity for business innovation and entrepreneurship, with an emphasis on sustainable and digital solutions

Output 3.3. Increased capacities of MSMEs for job creation and economic opportunities, in particular women, youth, and persons with disabilities **Contributing to Outcome 4 (or Specific Objective 4)**

Output 4.1 Increase and diversify the offer of financing for sustainable development

Given the multi-sectorial and multi-country nature of the Facility, single operations will have their own set of objectives and indicators.

3.2 Indicative Activities

LACIF is the investment facility for Latin America and Caribbean which finances blending operations[12] and was set up in 2021. This proposed replenishment will mainly support the follow up of the July 2023 EU-CELAC summit, by unlocking financing for the Global Gateway Investment Agenda (GGIA).

[12] Blending operations typically combine an EU contribution with loans, equity, guarantees or other risk-sharing mechanisms from public DFIs and other financiers. The EU contribution can be in the form of technical

Selection of blending operations will be based on a demand-driven mechanism that assures a strong buy-in from our partners, in line with country/region priorities and responds to the momentum for reforms. The activities under the programme will contribute to actions of several country and regional TEIs and regional LAC-MIP priorities. All actions supported should be compatible with the objectives of the Paris Agreement and the "Do No Harm" principle.

LACIF is subject to the NDICI EFSD+ (blending) governance and individual projects will be screened and endorsed by a Technical Assessment Meeting (with EU DFIs) and formally approved the EFSD+ Operational Board (with EUMS). Therefore, single projects and their corresponding activities cannot be identified at this stage.

The type of support provided in blending projects varies with the type of project. The EU contribution can take the form of technical assistance, investment grants, interest rate subsidies, or financial instruments such as guarantees, risk capital/equity. A blending project can be a mixture of these. The contribution from financial institutions is mainly in the form of loans but can also be provided as guarantees, equity, risk capital, investment grants or technical assistance. The amount of the EU contribution per project will vary based on the objectives of the project, the country, the sector, the project design, and the type of support needed.

The LACIF pipeline of potential projects is built-up through regular pipeline meetings with development finance institutions and is aligned to the GGIA and the objectives of the Regional and National MIPs, under the policy steer of EU Delegations.

By July 2023 the pipeline contains more than 40 projects for a total potential value of EUR 300M, including GGIA-related areas such as renewable energy, water and sanitation, economic development, critical raw materials, etc. This pipeline provides for a diversified and strong basis for projects discussion, prioritisation, and selection. Project approval follows different levels of scrutiny; including SSC (INTPA Management), TAM (composed of the DFIs) and Board (composed of EUMS). The main criteria for screening the proposals are 1) ownership and political support from partner national and, if relevant, sub-national governments, 2) contribution to GGIA, GG Flagships, TEIs, MIP and RIP priorities, 3) EU additionality, 4) financial leverage.

Quality of the proposals will be analysed with support from thematic colleagues from INTPA and Commission services and the external experts of the LACIF Technical Assistance Team (contract started in 2022 for 3 years). Each project will have its own Logical Framework matrix and set of indicators disaggregated at least by gender, and, where possible, by disability, based on the EU Results Measurement Framework.

Indicatively, 50% of funds will be devoted to the green transition (including increased production and use renewable energy, energy efficiency, sustainable use of natural resources, inclusive and sustainable transport systems, access to water and sanitation infrastructure); 10% to digital and 30% to the sustainable and inclusive economic recovery with particular focus on MSMEs led by women, young people and, where possible, persons with disabilities. The remaining 10% will be set aside for other operations in areas not targeted by the three main objectives (e.g., social cohesion and addressing inequalities).

A top up to the facility can be foreseen for the subsequent years and the share of the envelope devoted to each sector will vary depending on the needs of partner countries, the GGIA and absorption capacity. Other sectors for which no interventions are foreseen in the next two years, may receive funding from future top-ups. The aim of the Facility is to devote indicatively 50% of its resources in Latin America and 50% in the Caribbean over the period 2021-2027, where the share will be calculated over the whole period and not year per year.

3.3 Mainstreaming

Environmental Protection & Climate Change

assistance, investment grants, interest rate subsidies, and financial instruments such as guarantees, risk capital/equity. Any contribution can be a mixture of these.

The EU is committed to supporting better governance that enables just, green, sustainable, deforestation-free, and inclusive transitions in the LAC region. The action will directly support green and just interventions through objective 1 and mainstreamed in the other objectives. In the selection of its portfolio, LACIF will give priority to investments that align with the guiding principles of the European Green Deal. Aspects related to low-carbon solutions, circular economy, environmental sustainability, and climate resilience will be embedded in the design of the investments and will respond to national and regional policies, especially NDCs and green recovery strategies. Investments in digitalisation will consider the best low-carbon options. Support for MSMEs will focus on innovation and mainstreaming environmental sustainability and circularity, favouring sustainable consumption and production patterns, and increasing the competitiveness of businesses.

The Action does not require a Climate Risk Assessment (CRA), Strategic Environmental Assessment (SEA) or Environmental Impact Assessment (EIA) screenings (hence Category C applies) as assessments will be conducted at single project level.

Pillar assessed financial institutions are responsible to ensure that all EU financed operations respect EU principles and required assessments in terms of environmental and social impact. This also applies for the rights-based approach to development (e.g., gender issues, indigenous people end persons with disabilities rights, etc.) and Do-No-Harm, conflict sensitivity, proper public procurement, equal opportunities. Pillar assessed institutions are also scrutinised to ensure respect of the principles of sound financial management with effective and proportionate anti-fraud measures.

Synergies between the blending facilities and EU funded (regional and national) climate change capacity development programmes and, where applicable, policy reform instruments including sector budget support will be enhanced with Capacity development programmes should facilitate the identification and formulation of climate relevant projects at country and/or regional level and support local and regional climate policies. This will strengthen the already ongoing processes of pipeline development and securing local ownership.

Outcomes of the EIA (Environmental Impact Assessment) and CRA (Climate Risk Assessment) screening: The EIA/CRA screening classified the action as Category TBC, not requiring an EIA. This action will directly address environmental concerns through objective 1, in addition environmental and biodiversity protection concerns will be mainstreamed in the other objectives during the pipeline development and assessment of the blending application forms.

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: gender equality is an important and deliberate objective, but not the principal reason for undertaking the project/programme. Gender equality and empowerment of women and girls will be included as much as possible in all operations through specific activities or components. Special attention will be paid to promoting women's effective access to basic services such as water, sanitation, health, education and mobility infrastructures. Support for women led MSMEs will be encouraged, and women's access to employment will be promoted. Access to open, affordable, and secure broadband connectivity and digital infrastructure will also be supported.

Gender sensitive indicators will be ensured that will allow for monitoring of LACIF's impact of in the fight against gender inequality. Blending proposals will be aligned with the EU Gender Action Plan and will follow the principle of leaving no one behind. The private sector will be encouraged to abide by the UN Guiding Principles on Business and Human Rights (in particular, the rights of women, indigenous peoples, national, ethnic, religious and linguistic minorities, children, persons with disabilities and migrant workers and their families as set out in the Principles) and other internationally adopted responsible business guidance such as that of the OECD and ILO, also in relation to labour rights and decent work standards.

Human Rights

This action is aligned with the EU's Action Plan on Human Rights and Democracy 2020-2024. The proposed action will be implemented following the human rights-based approach, encompassing all human rights, with due regard to the working principles of applying all rights, participation and access to the decision-making process, non-discrimination and equal access, accountability, and transparency. Pillar assessed financial institutions are responsible to ensure that all EU financed operations respect EU principles. This also applies for the rights-based approach to development (e.g., gender issues, indigenous people rights, rights of persons with disabilities, etc.) and Do-No-Harm, conflict sensitivity, proper public procurement, equal opportunities.

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. Their active participation in consultation processes with local communities and minorities will be promoted. Where possible, access to employment for persons with disabilities and support for MSMEs led by persons with disabilities will also be supported. In addition, access for persons with disabilities to basic services such as water, electricity, health, and education, among others, will be promoted. Finally, where possible, indicators will be disaggregated by disability.

Reduction of inequalities

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

Democracy

Accountable democratic systems are enablers for the attracting investment for SDGs. This action will contribute indirectly by fostering more accountable financial systems in the region. The implementing partners, pillar assessed institutions, are also scrutinised to ensure respect of the principles of sound financial management with effective and proportionate anti-fraud measures.

Conflict sensitivity, peace, and resilience

The action will seek to contribute to the social integration of migrants, indigenous communities, and other vulnerable groups as beneficiaries of the different investments. Conflict assessments produced for LAC countries should be considered when available (while taking into consideration their confidentiality and level of sensitivity). Projects involving extraction of natural resources will only be financed if in line with internationally recognised guidance such as the OECD Guidelines on Responsible Mineral Supply Chains.

Disaster Risk Reduction

Disaster Risk Reduction, prevention and preparedness are very relevant particularly in the context of the Caribbean and Central American partner countries due to their exposure to hydrometeorological hazards (especially those linked to hurricanes) and geophysical hazards and their vulnerability and will be mainstreamed in all projects with activities on those countries and on a case-by-case basis in South America. When possible, the projects will build national or local authority capacity to promote DRR and DR Mitigation etc. The action is increasing resilience to both climatic and economic shocks. Supporting Climate Risks Assessment as part of EIA, it will promote climate proofing measures and the principles of build-back-better in line with the Sendai Framework principles. Support to MSMEs in more environmentally friendly and competitive economic businesses will increase resilience to external shocks, including the continuous recovery from COVID.

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

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Macroenvironment	High indebtedness rates of the region: countries face critical trade-offs between debt service and pursuing development objectives (contracting new loans).	H	H	Macroeconomic data and debt sustainability of the beneficiary countries must be considered when selecting projects (SSC fiche) Do no harm: in case of high indebtedness, coordination/greenlight with IMF will be sought. Ensure added value of the EU with the grant component that increases the concessionality.
Financial	Projects should not crowd out private sector financing	L	M	Avoidance of market distortions is one of the key requirements included in the financial institution's project application form. Any qualitative aspects should be commented in the corresponding section of the project application form completed and scrutinised by the internal services.
People and the Organisation	Lack of robustness (capacities and financing) of the region's development finance sector for the preparation/ implementation of the projects (particularly in the Caribbean)	M	M	Continuous policy dialogue on the importance to remain committed to the specific objectives identified. Special attention to facilitate regional financial institutions to participate in Caribbean projects. Encourage European DFIs to teamup with regional institutions.
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	Lack of capacity or willingness to conduct social and environmental Impacts assessments	L	M	Ensure that specific clauses are linked to funding for investment banks and private sector and that this risk is monitored and assessed
Planning, Processes, and Systems	Time lag between EU blending (long approval procedures) and IFI loan approval processes.	M	M	Hold regular pipeline meetings with DFIs to communicate on timelines and manage expectations.
Planning, Processes, and Systems	Lack of, or limited EU involvement during implementation, limited visibility and communication by the DFI	M	M	At least yearly steering committees should be foreseen in each DA with mandatory participation of the EU. The LACIF TA can support Delegations with visibility and communication and monitoring missions.

Lessons Learnt:

A 2022 evaluation of the LAIF instrument indicates that:

- LAIF has proven very relevant and there is a strong alignment between LAIF projects with the priorities of regional and country MIPS and national development plans of partner countries.
- LAIF has made significant contributions to key sectors such as energy, environment, water, transport, social services, and support to SMEs in Latin American countries. it has contributed to the presence and participation of the EUD in promoting the EU priorities in countries.
- There is a need to beef-up EU engagement in the initial phases, especially in the design of interventions, to ensure that there are jointly agreed baselines and targets captured in a logical framework. This will be adequately addressed thanks to the recently adopted Results Measurement Framework (ReMF) for EFSD+ which provides guidance for blending indicators.
- It was recommended to enhance the monitoring and evaluation of projects, including standardising of procedures and reporting documents. This is being facilitated by the LACIF Technical Assistance Team who developed a checklist for blending progress reports and started in 2023 different country monitoring visits (Colombia, Ecuador, Peru, Jamaica, Barbados, Dominica during the first quarter 2023). See also chapter 5.1.
- The needs of the LA region are large (even more with COVID-19 pandemic's effects), so strategic planning is needed to prioritise sectors where LACIF investment will create regional and sectoral development synergies. This prioritisation exercise has started with the alignment of the blending pipeline to the GGIA.

3.5 The Intervention Logic

LACIF, set-up in 2021, is the investment facility for Latin America and Caribbean and finances blending operations. This proposed replenishment will mainly support the follow up of the July 2023 EU-CELAC summit, by providing financing for the identified investment priorities.

The **general intervention logic** of LACIF is based on the understanding that by scaling up the financing for SDG related investment, sustainable and inclusive economic, environmental and social development in Latin American and the Caribbean will be promoted.

Regarding specific objectives, the intervention logic is following:

- **Specific objective 1**: If investments in resilient and efficient infrastructure for renewable energy (output 1.1), for transport (or other basic services) (output1.2) and for inclusive and for sustainable water and sanitation solutions (output1.3) increase, then people (including those living in the most marginalised situations, such as women and persons with disabilities, among others) will have better access to modern energy, transport, water, sanitation and/or other basic services (outcome 1), because Partner Countries and IFIs will remain committed Green Deal principles and NDCs and will have the necessary financial and human resources to rollout the proposed actions.
- **Specific Objective 2**: If investments in improved, open, affordable and secure broadband connectivity increase (output2.1), then the region's backbone digital connectivity will be enhanced (outcome 2), because Partner Countries and IFIs will remain committed to the digital transition and will have the necessary financial and human resources to rollout the proposed actions.
- **Specific Objective 3:** If the availability of adequate financial products and services for MSMEs is increased (Output 3.1), and if the capacity for business innovation and entrepreneurship, with an emphasis on sustainable and digital solutions is improved (Output 3.2.), and if the capacities of MSMEs for job creation and economic opportunities, are increased, then MSMEs will have better financing mechanisms and digital solutions (Specific Objective 3) because MSMEs, Partner Countries and IFIs will remain committed and will have the necessary financial and human resources to rollout the proposed actions.

The underlying general assumptions are that: (a) political, economic and security climate in Latin America and the Caribbean will remain sufficiently stable to promote and secure investments; (b) Partner countries have a robust investment strategy and plans with clear priorities; (c) Governments of Partner Countries and IFIs will remain committed to the specific objectives and will have the necessary financial and human resources to rollout the proposed actions.

The investment pipelines should also include human rights (in particular with regard to women's rights and rights of persons with disabilities), migration and gender equality aspects. The FI (and local partner/s) are obliged to apply environmental and social policy and safeguards and due diligence in line with EU and international standards.

This action is partly funded on the Regional Multiannual Indicative Programme 2021-2027 for the Americas and the Caribbean (RMIP-LAC) and partly by the country Multiannual Indicative Programmes 2021-2027. Each bilateral MIP contributes through its dedicated EFSD+ allocation to the replenishment of the LACIF. As foreseen in the bilateral MIPs of the LAC countries, "[…] a percentage of the financial allocations defined under section 4 could be mobilised from the present MIP for the participation of the country in the EFSD+". The respective funds will be contracted with EFSD+ procedures and governance for the corresponding bilateral projects.

Most country specific projects will be financed by country MIP funds that will be reallocated into LACIF. This regularisation can take place *ex-post*, if necessary, to allow timely contracting of blending projects[13].

Following blending operations have already been earmarked through a **country AAP 2023 or have been approved by the EFSD+ board:**

Cuba: AAP 2023; Action “Ecological transition towards sustainable municipalities”; blending operation with an EU contribution **of EUR 7.35 M** for “*Sustainable, resilient and inclusive territorial and tourism development in Cienfuegos*”. The interservice consultation of the related country AAP was completed in April 2023, financing decision to be adopted. The blending operation was approved by the EFSD+ board of October 2022.

Ecuador: AAP 2023 “A Green Deal for Ecuador. An inclusive, sustainable and resilient economy, stimulated by innovations and investments at decentralised level”. A blending operation of **EUR 6.2 M** “*Biotrade Ecuador – fostering commercialization of bioeconomy products and access to financing for producers*”. Decision C(2023) 3234 adopted.

Total amount of: EUR 13.55 M (Cuba, Ecuador, and Bolivia)

A total amount of **EUR 13.55 M** will be taken from the above-mentioned country MIPs and the remaining **(EUR 80.67 M)** will be taken provisionally from the regional envelope.

The regional allocation to the Latin America and Caribbean Facility will mainly serve to fund multicountry projects[14], in countries without a country allocation or, exceptionally, in countries that have already exhausted their bilateral contribution earmarked in the MIPs.

Identification and formulation of country projects will be coordinated by EU Delegations with support from the LACIF Team in headquarters. The TAM and Board approval procedures of country (and multicounty) projects will be managed by the INTPA B investment team. The INTPA B investment team will coordinate with EU Delegations and the LACIF Technical Assistance to ensure complementarities and coherence of the different actions.

Once adopted by the EFSD+ board, the daily management of blending projects (both country and multi-country), their signatures, the addenda and closure processing, the attendance to project steering committees, the regular follow-up and monitoring, the revision and approval of reports and the processing of payments, become the responsibility of each LAC EU Delegation.

Blending operations constitute an opportunity to engage with the government in a dialogue on specific sector policies. The projects supported through blending frequently involve sovereign loans, in sectors that are of strategic importance to partner countries (energy, transport, environment, etc.). EUD should include blended operations in their dialogue with partner countries on specific policies, objectives and results and ensure complementarity and synergies with the other instruments. The amount of the EU contribution per project will vary based on the objectives of the project, the country, the sector, the project economics, and the type of support needed.

Given the multisector and multi-country nature of these objectives, and the diverse offer of proposals submitted for the LACIF pipeline, outputs as defined in the Logical Framework Approach cannot be fully specified at this stage. **The intervention logic (Results Measurement Framework)** will be defined in each application fiche and subsequent be part of the contribution agreement, including indicators, baselines, and targets. A common characteristic of all blending operations is that grants shall not subsidise loans for projects that would have taken place in any case, in line with the Guidelines on EU blending operations.

[13] In principle, all LAC country MIPs have devoted 28% of its financial contribution to EFSD+ (split among blending and guarantees).

[14] Multi-country projects are projects taking place in more than one country

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.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Impact	Promote sustainable and inclusive economic, environmental, and social development in Latin American and the Caribbean (aligned to Regional MIP)	1. Proportion of population below the international poverty line (SDG 1.1.1) Disaggregated by sex, age and/or country 2. Material footprint per GDP (GERF 1.5 / IPA III RF / SDG 12.2.1) Green Deal / Global Gateway 3. Renewable energy share in the total final energy consumption (SDG 7.2.1) Disaggregated by country / Global Gateway, Green Deal 4. Proportion of population covered by a mobile network, by technology (SDG 9.c.1 / IPA III RF) Global Gateway 5. Unemployment rate, by sex, age and persons with disabilities (IPA III RF / SDG 8.5.2) / Jobs and sustainable and inclusive Growth	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	SDG trackers, EU reporting, others	

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Outcome 1	1 To increase the access to modern energy, water, sanitation and/or other basic services in accordance with the Green Deal principles and NDC commitments (Regional MIP)	1.1 Number of people with new or improved access to electricity, disaggregated by sex and age (15-30 years), and, where possible, by disability, and by new or improved access, (GERF 2.3 / EFSD+ReMF energy ind.1) 1.2 Amount of greenhouse gas emissions avoided per year (CO2 tons e / year) with EU support (EFSD+ ReMF CS ind.6 / EURF 2.7 / IPA III and Regional MIP) 1.3 Number of people with access to improved drinking water source and/or sanitation facility with EU support, disaggregated as relevant per sex, age (GERF 2.38 / EFSD+ ReMF Water ind.6 38 and GAP III indicators) 1.4 Number of public transport users disaggregated by sex, age, and disability where relevant (EFSD+ ReMF Sust. Cities ind.14)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Political and security climate in Latin America and the Caribbean will remain sufficiently stable to promote and secure investments. Partner countries have robust investment strategies and plans with clear priorities. Partner Countries and IFIs will remain committed to the Green Deal principles and NDC commitments and will have the necessary financial and human resources to rollout the proposed actions.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Outcome 2	2 To develop backbone digital connectivity within the LAC region and with the EU (Regional MIP)	2.1 Number of people using e-governance systems and services established and/or improved through investment support, disaggregated by sex, age and disability status where relevant, and by sector (education, health, culture, procurement, etc.) (EFSD+ ReMF digital ind.3 / GERF 2.12 / IPA III RF /regional MIP) 2.2 Number of people using digital financial services through investment support, disaggregated by sex, age, disability status rural/urban where relevant. (EFSD+ ReMF digital ind.4 /GERF 2.17 / IPA III RF)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Political and security climate in Latin America and the Caribbean will remain sufficiently stable to promote and secure investments. Partner countries have robust investment strategies and plans with clear priorities. Partner Countries and IFIs will remain committed to the digital transition and will have the necessary financial and human resources to rollout the proposed actions.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Outcome 3	3. To increase the access of MSMEs to financing mechanisms and digital solutions that facilitate a resilient transition to sustainable and low-carbon production models (special attention to those led by women and young people)	3.1 Number of MSMEs supported by the investment that meet quality and environmental, social and governance (ESG) standards and technical requirements, disaggregated, whenever possible and relevant, by sex, age (15-30 years) and disability status of leader, area/sector/region (EFSD+ ReMF MSMEs ind.22) 3.2 Number of supported businesses, social enterprises and cooperatives reporting increased turnover (because of direct support of the investment), disaggregated by target group, sex, age (15-30), and disability status of leader where relevant (EFSD+ ReMF MSMEs ind.14) 3.3 Number of individuals with access to financial services, disaggregated whenever possible and relevant by type of service, user type, modality, sex, and age (EFSD+ ReMF MSMEs ind.15 and GAP III) 3.4 Number of indirect jobs supported/sustained by the EU disaggregated by sex, age, disability status, indigenous status, and migratory status where possible (EFSD+ ReMF CS ind.1 / EURF 2.13 and GAP III)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Political and security climate in Latin America and the Caribbean will remain sufficiently stable to promote and secure investments. Partner Countries and IFIs will remain committed to transition to sustainable and low-carbon production models and will have the necessary financial and human resources to rollout the proposed actions.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Outcome 4	To increase the investment volume of financial institutions for inclusive infrastructure and sustainable development in the LAC region	4.1 Multiplier effect: Ratio between the total investment (from IFI, public and private investors) against the EU contribution (i.e., blending contribution or budgetary guarantee coverage) (EFSD+ ReMF CS ind.4 / GERF 3.5/ IPA III RF)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	IFIs will remain committed to the specific objectives identified and will have the necessary financial and human resources to rollout the proposed actions.
Output 1 related to Outcome 1	1.1 Enhanced resilient and efficient infrastructure to produce renewable energy (Regional MIP)	1.1.1 Additional renewable generation capacity installed, disaggregated by: - urban and rural (where applicable) - on-grid and off-grid (where applicable) (EFSD+ ReMF Energy ind.15 /GERF 2.4/ IPA III RF) 1.2.2 Number of energy infrastructures supported which are based on a gender analysis of risks, need, demand, barriers and supply (Regional MIP)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.
Output 2 related to Outcome 1	1.2 Improved infrastructure for inclusive and gender-responsive transport and sustainable urban development in the cities of LAC	1.2.1 Total length of new or upgraded transport infrastructure supported by the EU (kms): (a) roads, (b) railways, (c) waterways (EFSD+ ReMF Transport ind. 27-29 / GERF 2.18) 1.2.2 Number of transport/logistic infrastructures supported which are based on a gender analysis of risks, need, demand, barriers and supply (EFSD+ ReMF Transport ind.30)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Output 3 related to Outcome 1	1.3 Improved infrastructure for sustainable water and sanitation solutions (Regional MIP)	1.3.1 Water treatment capacity (M3/day) added with support of the EU-funded intervention (ReMF Water ind.29) 1.3.2 New connections to water supply (ReMF Water ind.28)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.
Output 1 related to Outcome 2	2.1 Improved and increased connection to open, affordable and secure broadband connectivity and digital infrastructure (Regional MIP)	2.1.1 Length (km) of optical fibre cables installed disaggregated by rural/urban, cross-border (Km) with support of the EU-funded intervention (EFSD+ ReMF digital ind.39) 2.1.2 Number of ICT services installed (EFSD+ ReMF digital ind.41)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.
Output 1 related to Outcome 3	3.1. Increased availability of appropriate products and financial services for MSMEs	3.1.1 - Number of MSMEs provided with access to loans/investment, disaggregated, whenever possible and relevant, by sex, if relevant by disability, and age (15-30 years) of leader, by type of intermediary, by type of product, by served area/sector/region (EFSD+ ReMF MSME ind.6)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Output 2 related to Outcome 3	3.2. Increased capacity for business innovation and entrepreneurship, including on sustainable and digital solutions (Regional MIP)	3.2.1. Number of businesses applying digital solutions with support of the EU-funded intervention disaggregated by size of firm, sex, if available by disability of owner 3.2.2 Number of improved tools and products developed and/or adopted by sector institutions and operators (of which number of those gender responsive) (EFSD+ ReMF MSME ind.42)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.
Output 3 related to Outcome 3	3.3. Increased capacities of MSMEs for job creation and economic opportunities, in particular women, youth and persons with disabilities	3.3.1. Number of direct FTE jobs supported and/or sustained disaggregated by sex, age, disability, type of job (green, construction, operations and maintenance, within MSMEs or organisations), and country/region where possible and relevant (EFSD+ ReMF CS 2 / GERF 2.13)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.

Results	Results chain (@) Main expected results (maximum 10)	Indicators (@) (at least one indicator per expected result)	Baselines (values and years) Not applicable at facility level	Targets (2027) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Output 1 related to outcome 4	4.1 Increase and diversify the offer of financing for sustainable development	4.1.1 Leverage ratio: Ratio between the amount of reimbursable finance (by IFIs or other financiers) against EU contribution (i.e., blending contribution or budgetary guarantee coverage) (EFSD+ ReMF CS 3 / GERF 3.5/ IPA III RF) 4.1.2 Number of sustainability-related financial instruments and products supported that are certified, labelled, Environmental, social and corporate governance (ESG) rated and/or verified by a third party supported by the EU contribution (EFSD+ ReMF Sust. Fin. 21)	Baseline to be defined at the inception phase	Target for 2027 to be confirmed during inception phase	Blending operations grants' final reports, technical assistance reports, experts' reports	Sufficient level of support from Partner Countries and IFIs for investments in this sector.

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged 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 72 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 measures[15].

4.3.1 Indirect Management with an entrusted entity

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

a) pillar assessed entities.

b) alignment with the strategic priorities as agreed with EU partner countries, presence and track record in the region.

c) alignment with EU policies, sector/thematic policies.

d) additionality of EU contribution and potential cooperation on policy dialogue topics; and e) maturity of project preparation.

Any blending project financed under the EU blending framework will be implemented under indirect management by a designated pillar-assessed lead financial institution. This can be a multilateral European financial institution (e.g., EIB); a European National Financial Institution; a national development bank (NDBs) from a Member State (e.g., AFD, KfW, AECID, COFIDES, PROPARCO, CDP, FMO); or other multilateral bank which can act as a lead in specific cases (e.g., IDB, CDB, CAF).

The involvement of non-European FIs as lead financiers will be assessed and approved by the EFSD+ Board on a case-by-case basis, following a tailored approach based on the specific added value as a lead financier over alternatives in any project or region. Appendix 2 includes a non-exhaustive list of implementing institutions. The implementing entity will be entrusted with the implementation of Union funds including the implementation through procurement, grants, financial instruments, and payments. The entrusted entity organisation shall also monitor and evaluate such project and provide reporting.

In addition, the implementation of Union funds may be sub-granted by the entrusted entity to other entities (including partner countries) under conditions equivalent to those applying to the Commission. The entrusted tasks may be the implementation of procurement and grants following the rules assessed and approved by the pillar-assessed Lead Financial Institution. Payments may be executed by the sub-granted entity under the control by the Lead Financial Institution or by the entity itself.

[15] 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.

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

No change envisaged/possible. Blending operations are generally implemented in indirect management by a LFI in accordance with Article 62 and 159 of the 2018 Financial Regulation.[16]

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[17]	**EU contribution (amount in EUR)**	**Third-party contribution, in currency identified**
Implementation modalities – cf. section 4.3		
Objective 1:		
Indirect management – cf. section 4.3.1	49,936,600 (53%)	N/A
Objective 2:		
Indirect management – cf. section 4.3.1	13,190,800 (14%)	N/A
Objective 3:		
Indirect management – cf. section 4.3.1	31,092,600 (33%)	N/A
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	To be covered by another decision	
Totals	94,220,000	N/A

4.6 Organisational Set-up and Responsibilities

LACIF will operate under the governance of the NDICI blending framework which reflects the recommendations of the EU Platform for Blending and External Cooperation (EUBEC) aiming at improving the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socioeconomic development as well as the efficiency of their management including a reduction of transaction costs.

Potential Blending projects are mainly identified by financial institutions as well as EU Delegations, Member States' organisations and partner countries.

[16] Blending Guidelines – June 2023

[17] Note: 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.

They are first presented during the pipeline meetings organised by the Director. Once a green light is received on the concept note, the Lead Financial Institution will develop the Application Form which will contain a detailed description of the detailed blending operation.

The decision-making process for individual investments is organised in a three-level structure, in line with the blending guidelines, namely:

- Strategic Steering Committee (SSC)
- Technical Assessment Meetings (TAM)
- EFSD+ Operational Boards

Strategic Steering committee (SSC): each blending proposal will first go through the INTPA SSC scrutiny before its submission to the TAM. During this meeting, management provide guidance on the alignment of the proposed blending operations with the EU priorities, on the additionality and complementarity with other instruments.

Technical assessment meetings (TAM) are held to review and discuss projects pipeline, to technically assess project proposals and facilitate exchanges on good practices across regions. TAMs are chaired by the Commission with the participation the EU FIs. Based upon the technical assessment, proposals may be endorsed, rejected, or may need to be revised for further discussion at a later TAM. Once a proposal is assessed as technically mature, the Lead Financial Institution (LFI) will be able to submit a final revised Application Form to the secretariat in view of the submission to the Board.

The proposal will also be shared with other financial institutions for peer review and possible written comments. Such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability, TAM meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the EU FIs and the concerned Commission services. If appropriate, such meetings may include or be complemented by virtual meetings and/or written exchanges.

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation, non-European financial institutions active in a particular region should be invited to attend relevant technical and Board meetings as observers.

TAMs have been identified as a relevant forum to share strategic orientations and planning of the IFIs and the EU. These strategic discussions will cover:

1. the consistency and alignment of LACIF's operations with EU Policies, relevant regional or bilateral agreements, GGIA, Strategy Papers and the Multiannual Indicative Programmes in force.
2. the needs and the evolutions in the various priority support sectors; iii. LACIF's effectiveness, results, and impact at strategic level.

The **EFSD+ Operational Board** (hereafter called the Board) is responsible for formulating opinions on individual blending operations and is chaired by the Commission. The EU Member States are voting members, and the FIs present their proposals (FI's participate as observers).

The opinion of the Board can be positive, negative or recommend re-submission of the project. FIs present their proposals and respond to any request for clarifications. The part of the meeting where opinions on requests for EU contributions are expressed will be restricted only to the Commission services and the voting members.

The Board is also responsible for (1) providing guidance to participating institutions on appropriate future financing proposals based on strategic priorities defined in the context of the programming process and further elaborated with partner countries and regional organisations; (2) examining project-related results (including annual reports); (3) promoting exchanges of best practices, drawing on the specific expertise of the FIs as appropriate and respecting the appropriate division of labour; (4) In line with the European preference, examining the involvement of non-European FIs, in particular regional banks, to act as LFIs, following a targeted approach and on the basis of the specific added value brought in a particular project or region.

The Board meets two to four times a year, depending on the needs. When duly justified by time constraints or other reasons, opinions on projects could be requested by written procedure.

The rules of procedure for the **NDICI** Blending Framework, provide further details regarding the decision-making process as well as the organisation of the strategic meetings.

4.7 Pre-conditions [Only for project modality]

NA

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 (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 (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.

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 and, where possible, by disability.

A technical assistance team (TA) for LACIF was contracted in 2021 (operational in 2022). Supporting monitoring and reporting is an important part of their assignments. The TA team reviews all blending progress proposals, reports and ensures monitoring mission. In 2023, the TA team visited 6 countries in the region[18] to monitor both the bilateral and multi-country blending operations. These efforts will be continued in the future, complemented by regular ROM reviews.

INTPA EFSD+ unit (E4) provides continuous training and coordination efforts, geared towards aligning the partner FI's (IPs) measurement and reporting practices to the new EFSD+ ReMF. The regular EFSD+ pipeline and TAMs also serve as coordination spaces to articulate monitoring approaches, procedures, etc.

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.

[18] Ecuador, Peru, Jamaica, Dominica, Barbados and Colombia

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.

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, based on 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 I: 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:

Action level (i.e., Budget Support, blending)		
☐	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)		
X	Group of actions	Actions reference (CRIS#/OPSYS#): ACT-61002 <Present action> <Other action(s)>
Contract level		
☐	Single Contract 1	<foreseen individual legal commitment (or contract)>
☐	Single Contract 2	<foreseen individual legal commitment (or contract)>
	(…)	
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)		
☐	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>

Appendix II: Indicative list of Lead Finance Institutions (non-exhaustive)

EU Member States' development finance institutions

- Agencia Española de Cooperación Internacional para el Desarrollo (AECID) / Compañía Española de Financiación del Desarrollo (COFIDES)
- Agence Française de Développement (AFD) / Promotion et Participation pour la Coopération Économique (PROPARCO)
- Cassa depositi e prestiti (CDP)
- European Investment Bank (EIB)
- Kreditanstalt für Wiederaufbau (KfW) / Deutsche Investitions- und Entwicklungsgesellschaft (DEG)
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)

Non-EU Member States' development finance institutions

- Corporación Andina de Fomento (CAF)
- Banco Centroamericano de Integración Económica (BCIE)
- Caribbean Development Bank (CDB)
- Interamerican Development Bank (IDB)
- World Bank Group (WBG)