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ANNEX

of the Commission Implementing Decision on the financing of the annual action plan - part 1 - in favour of Americas and the Caribbean for 2021

Action Document for Latin America and Caribbean Investment Facility (LACIF)

ANNUAL PLAN
This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans in the sense of Article 23 of 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) CRIS[1] number: NDICI LA/2021/043-312 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)/ Overseas Association Decision/European Instrument for International Nuclear Safety Cooperation Regulation
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Latin America and the Caribbean
4. Programming document	Regional multi-annual indicative programme for Latin America and the Caribbean 2021-2027
5. Link with relevant MIP(s) objectives/expected results	This action contributes to the objectives of the Regional MIP for the Americas and the Caribbean, including the Green transition, Digital transformation, Sustainable and inclusive economic recovery, Democratic governance, security and migration, and Social cohesion and fighting inequalities.
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
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 17 Partnership for the goals Other significant SDGs (up to 9) and where appropriate, targets: 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

[1] Depending on the availability of OPSYS at the time of encoding, a provisional CRIS number may need to be provided.

<table>
<tr><td></td><td colspan="4">SDG 15: Life on Land</td></tr>
<tr><td>8 a) DAC code(s)</td><td colspan="4">DAC codes are in order of representation in the current program portfolio of LAIF and CIF 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
110 Education</td></tr>
<tr><td>8 b) Main Delivery Channel @</td><td colspan="4">Development finance institutions including:
42000 - European Investment Bank
46000 – Regional Development Banks
10000 – Public Sector Institutions</td></tr>
<tr><td>9. Targets</td><td colspan="4">☒ Migration
☒ Climate
☒ Social inclusion and Human Development
☒ Gender
☐ Biodiversity
☐ Education
☐ Human Rights, Democracy and Governance</td></tr>
<tr><td rowspan="12">10. Markers
(from DAC form)</td><td>General policy objective @</td><td>Not targeted</td><td>Significant objective</td><td>Principal objective</td></tr>
<tr><td>Participation development/good governance</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Aid to environment @</td><td>☐</td><td>☐</td><td>☒</td></tr>
<tr><td>Gender equality and women’s and girl’s empowerment</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Trade development</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Reproductive, maternal, new-born and child health</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Disaster Risk Reduction @</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Inclusion of persons with Disabilities @</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Nutrition @</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>RIO Convention markers</td><td>Not targeted</td><td>Significant objective</td><td>Principal objective</td></tr>
<tr><td>Biological diversity @</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Combat desertification @</td><td>☒</td><td>☐</td><td>☐</td></tr>
</table>

	Climate change mitigation @	☐	☐	☒
	Climate change adaptation @	☐	☒	☐
11. Internal markers and Tags:	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @	☐	☒	☐
	Tags: digital connectivity		☒	☐
	digital governance		☐	☐
	digital entrepreneurship		☐	☐
	job creation		☒	☐
	digital skills/literacy		☐	☐
	digital services		☐	☐
	Connectivity @	☐	☒	☐
	Tags: transport		☒	☐
	people2people		☐	☐
	energy		☐	☒
	digital connectivity		☒	☐
	Migration @ (methodology for tagging under development)	☐	☒	☐
	Reduction of Inequalities (methodology for marker and tagging under development)	☐	☒	☐
	Covid-19	☐	☒	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020140 EUR 40 million 14.020141 EUR 40 million Total estimated cost: EUR 80 million Total amount of EU budget contribution EUR 80 million			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing[2]	This contribution to the Regional Blending Facility shall be implemented in indirect management by the entities indicated in the annex to this Action Document, in accordance with the Regional Blending Facility award procedure.			

1.2. Summary of the Action

The purpose of this Action Document is the financing of the Latin American and Caribbean Investment Facility (LACIF) from the general budget of the Union in 2021.

Until 2020, the Latin America (LAIF) and Caribbean (CIF) Facilities have been operating under different budgetary regimes, LAIF under the Development Cooperation Instrument (DCI) and the CIF under the European Development Fund (EDF). This new Facility follows the strategic logic under the new NDICI to merge different financial instruments under the same umbrella. DCI and EDF converge in the new NDICI and this provides the

[2] Art. 27 NDICI

opportunity to combine the two previous facilities in one, taking advantage of shared structures and stakeholders, minimizing administrative transaction costs and adding flexibility to the process of resource allocation, while catering to the unique opportunities and challenges of the two regions. Moreover, action at regional level is particularly relevant to tackle crucial aspects of infrastructure involving networks (transport, energy, water and digital) and regarding cross-border issues (health security, supply chains, migration, etc.).

Since its start of operations in 2009, LAIF has provided support to 50 projects. Grants have been approved for a total amount of EUR 444 million and it is estimated that its contribution has succeeded in mobilising a total investment of approximately EUR 11.4 billion. CIF was launched in 2013 and by the end of 2020, it reached a total of 20 projects and over EUR 170 million in commitments, leveraging projects for a total value almost EUR 1,9 billion[3].

LACIF will continue to boost access to funds from financial institutions, which are supporting key investments for sustainable inclusive infrastructure development with a focus on climate change, as well as rights and gender responsive private sector development in the region contributing substantially to poverty alleviation throughout the continent.

European financial institutions were key partners of LAIF and CIF but an important factor for the success of the Facilities was the participation of the regional Latin American financial institutions, more prominently the Inter-American Development Bank (IDB), the Latin American Development Bank (CAF), the Central American Bank for Economic Integration (CABEI) and the Caribbean Development Bank (CDB), who act as co-lead implementers for many of the operations. This resulted in a stronger and more strategic partnership between European and Latin American financial institutions. In the context of the current COVID-19 recovery, LACIF will continue to be flexible and build key strategic partnerships with IFIs that are joining forces with the EU to tackle the crisis in partner countries and build resilient systems to prevent and react to future crises. Proposals funded by LACIF will address challenges exacerbated by the pandemic, most notably in improvement of access to basic services and health systems as well as in building economic resilience by providing tailored support to MSMEs and fostering sustainable growth.

In order to further improve the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socio-economic development for all people, as well as the efficiency of their management including a reduction of transaction costs, blending operations will be managed under the NDCI blending framework. The specific objectives for investments as well as result indicators will be defined at individual project level and approved under the NDICI Blending Framework. All projects financed from the EU budget will be aligned to the EU's principles in terms of environmental impact, gender equality, good governance and human rights and taking into account the principle of "leaving no one behind" and ensuring due diligence processes in relation to social and environmental safeguards with regard to the operations of development investment banks and other private sector actors. The NDICI prescribes the need for a conflict sensitive approach, which is particularly relevant to countries in the LAC region affected by violence, organised crime and conflict, as well as political instability and poor Rule of Law. All investments are subject to an impact assessment and a climate risk assessment following the International Financial Institutions' procedures and aligning to EU standards.

Projects under LACIF will ensure coherence with the European Fund for Sustainable Development (EFSD+), and the sharing of experiences and lessons learned among all blending facilities will be fostered. The EFSD+ is a comprehensive instrument that includes guarantees, blending and technical assistance to help improve the quality of projects and the implementation of reforms, plus several other tools that can be used to support the development of partner countries. With the global extension of the External Action Guarantee (EAG) as a programmable instrument in 2021, the Latin American and Caribbean region will count on a variety of tools and instruments to promote investment both at sovereign and non-sovereign level. Although these will not be managed by the LACIF team, close cooperation among the different teams is envisaged (particularly with the Center for Expertise within Unit "External Action Guarantees" E4 as well as with other EU funded programmes such as EUROCLIMA+ or AL-INVEST Verde) and coherence must be respected.

[3] For more information please check www.eulaif.eu and https://www.eu-cif.eu/.

2. RATIONALE

2.1. Context

The Latin America and Caribbean Investment Facility will have a regional scope and a wide sectorial approach. Projects might have a country or multi-country nature and will address all the policy priorities of the Commission in an effort to contribute to the green, sustainable and inclusive economic recovery from the COVID-19 pandemic crisis that has hit the region particularly hard. The region comprises highly heterogeneous countries whose characteristics should be taken into account. Yet, they share a worrisome situation: Latin America and the Caribbean is facing its worst recession on record which has reduced fiscal space even further putting many countries at risk of falling into a new debt cycle and aggravating existing structural challenges. Many states, particularly in the Caribbean, are highly indebted and have limited fiscal space, which exacerbates their economic vulnerability and hinders their possibilities for recovery. Many countries in the regions are also facing the challenges climate change extreme vulnerability, the impact of natural disasters and the loss of forested areas and biodiversity, or indeed those of political instability and volatility, societal and political violence and conflict and also risks coming from organised crime and illicit economies.

Taking into account these common challenges of the region, and in line with the European Green Deal, a Green Transition stands as the backbone of the sustainable economic recovery in Latin America and the Caribbean. The region is home to the Amazon tropical forest, account for 50% of global biodiversity and it is a strong ally in the consecution of the Agenda 2030 and the Paris Agreement. In the Green Deal, the EU sets ambitious emission reduction targets, establishing carbon neutrality by 2050. At the same time it shows its willingness to support the signatory countries of the Paris Agreement, to increase the ambitions of their own NDC commitments. The EU supports the economic transformation of the LAC region towards a low-carbon and climate-resilient development model, where carbon neutrality may be possible by 2050. The strategies, policies and plans more relevant for LACIF investments are: Gender Action Plan III (2021-2025) , Circular economy action plan, the 'Farm to fork strategy', New EU strategy on adaptation to climate change, Zero pollution Action Plan and the Delivering the European Green Deal, in which one of the goals is supporting that one third of the world's public climate finance comes from the EU and its Member States.

The region is highly vulnerable to the negative impacts of climate change, particularly Central America and the Caribbean, which are affected by natural disasters and the rise of sea levels. In Central America recurrent droughts exacerbate food insecurity and migration (5.5 million people are considered food insecure[16]).
All Caribbean countries are classified as Small Island Developing States (SIDS) and thus highly vulnerable to extreme weather events, climate change and economic shocks. Rising sea levels, weak waste management systems that produce environmental damage and the reliance on imported diesel generators for electricity production are some of the main problems that Caribbean states face. In contrast, the region also has great potential for renewable energies generation and abundant natural resources, the capacity of cities to bring about innovation to respond to global challenges is particularly important as well, given that Latin America and the Caribbean is the region with the highest urbanization rate in the world.

The COVID pandemic has put new technologies and the transition towards a digital society at centre stage, while highlighting some of the related challenges. Digital transformation can support sustainable recovery in Latin America and the Caribbean, address development traps and increase competitiveness, accelerate the shift to sustainable production and consumption patterns, and improve knowledge and surveillance of the natural resource base. At the same time, it can risk deepening the digital divide and exacerbate inequalities.

The ongoing digital transformation in LAC creates demand for increased digital cooperation and the EU and LAC are well placed to further strengthen their partnership on digital matters. At a moment when many LAC countries are setting out ambitious policies to accelerate digitalisation and regional digital integration[4], the EU can offer its regulatory expertise, global standard setting power and market-leading technology. The EU's unique experience in consolidating its Digital Single Market provides an example of how digital transformation can benefit citizens while also supporting business through increased market integration. A Digital alliance would contribute to improve secure

[4] The eLAC2022 Digital Agenda, coordinated by UN regional economic commission ECLAC, sets the region's digital priorities, aiming to be the catalyst for regional cooperation on digital matters.

and high-speed connectivity, narrowing the gap of cost and access within the region and unlocking a great potential for the digital economy. Critical investment could expand the access of MSMEs to the global market, and boost innovation and competitiveness in the whole region. This alliance would also offer new possibilities for secure big data transfer, enabling research

Creating jobs and promoting sustainable and inclusive growth, underpinned by more equal, educated and healthy societies, will be key to achieve the fair economic recovery that the region needs, as well as promoting a sustainable management of natural resources through a green economy. Building forward better, promoting economic resilience and trade, fighting informal work and providing access to finance for the growth of MSMEs will enable long-term economic modernisation, together with a consistent approach to disaster risk reduction and mitigation. Private sector development in Latin America and the Caribbean will contribute to reduce poverty. However, issues related to private sector and due diligence and human rights should be carefully considered and addressed, as well as conflict sensitivity risks in relation to private sector interactions with illicit and conflict economies (e.g. Colombia, Peru, Bolivia, Guatemala, etc.)

In a global and regional context marked by recovery from the COVID-19 pandemic, LACIF will be part of the EU's global efforts to build back better, contributing to advancing a green, digital and sustainable international economic recovery. It will seek to fight inequalities, building more prosperous, inclusive and sustainable societies, particularly for women and young people, and promote human development, human rights, democracy, peace, and security.

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-related downturn. The fall in economic activity is of such a magnitude that GDP per capita in LAC by the end of 2020 was at a level similar to 2010; a setback of 10 years in terms of per capita income. This has exposed the limitations of many LAC countries' predominant economic model, focused on the export of commodities and characterised by low productivity and high levels of informal work. The recovery process is expected to be slow and will require addressing deep pre-existent structural weaknesses of LAC economies, responding to immediate COVID-19 negative economic impacts (ex. rising inequality), as well as preparing the region for new emerging challenges and opportunities

Finally, Latin America and the Caribbean present among the highest level of inequality in the world. Considering that the most affected groups by the pandemic are mostly located at the bottom of the income distribution, this results in increasing levels of inequality in the region. The COVID-19 pandemic has exposed remaining structural social and economic problems and pre-existing vulnerabilities, such as slow economic growth, low productivity, unemployment, high level of informal work, poor social conditions, reduced fiscal space and growing environmental deterioration. The region needs to address its structural challenges with special attention to gender issues, youth, indigenous people's rights (e.g. Free Prior and Informed Consent, etc.), human rights and migrants. The EU-LAC partnerships can help improve governance, including of natural resources, the rule of law, peace and security and promote human development.

A regional approach remains the most viable solution to cater for the still elevated uncertainty on the expected pipeline and seize key investment opportunities in the recovery context, including possible intra-regional and inter-regional connectivity projects and have a consistent approach to risk management and mitigation. Blending, driven by a "policy first" approach, building on the existing strong partnerships and offering opportunities for policy dialogue at country and regional levels, will be instrumental in catalysing investments to respond to the needs of Latin America and the Caribbean.

2.2. Problem Analysis

<u>Short problem analysis:</u>

The Latin American and Caribbean Investment Facilities have, since their launch, focused on capital-intensive sectors (mainly infrastructure) as well as on a growing scale on private sector support[5]. Infrastructure development is normally quite conflict sensitive and the risks of doing harm are manifold. Important capital investments must be made inter alia to rehabilitate, modernise or build essential infrastructures needed for a low-carbon, efficient and safe production, transport and use of energy and further on for safe and efficient transport of goods and people, having regard to risk mitigation and rights of communities. It is also vital to progress towards an effective environmental

[5] For details on the portfolio please see https://www.eulaif.eu/en/facts-figures

protection, in particular 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.

Water scarcity is affecting the daily life of millions: in the recent past, Mexico, Venezuela and Honduras have severely rationed their water supply services to cope with droughts. Droughts are often attributed to climate change and El Niño/La Niña cycles, and this needs to be factored to better address the gap between supply and demand. Action should therefore support access to potable water and sanitation services, reduce pollution to rivers, and protect people and economic activities from devastating floods, through disaster preparedness and disaster risk reduction. 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 adequate policies).

All Caribbean countries are classified as Small Island Developing States (SIDS) and as such, they are confronted with an inherent vulnerability to exogenous shocks including natural hazards and man-made crises beyond their control, all exacerbated by climate change such as hurricanes, floods, wind storms, drought episodes and seismic events, earthquakes and volcanic eruptions. Climate change is the single greatest threat to the Caribbean region. The Caribbean countries are particularity concerned by rising sea levels as well - approximately 70 % of the Caribbean population lives in coastal cities and more than half of population lives within 1.5 kilometres of the costs.

Over 80% of LAIF and CIF projects included a climate-change component (mostly mitigation) ad projects have slowly incorporated more private sector engagement and piloted new instruments such as Green Bonds or equity contributions. Digital, social and economic resilience should be integrated more prominently in the future LACIF's portfolio, in accordance with the guiding principles of gender equality, human rights, environmental protection, resilience and conflict sensitivity.

Crisis such as the Venezuelan migratory crisis or the current COVID-19 pandemic will have deep short and medium terms effects in our partner countries. By providing flexibility in the sectors and aiming at long lasting impacts, LACIF funds will continue to play a key role in the partnership between the EU and LA.

Finally, the global extension of the External Action Guarantee (EAG) as a programmable instrument in 2021 including the Latin American and Caribbean region will count on a variety of tools and instruments to promote investment both at sovereign and non-sovereign level. The analysis in the coherence among different instruments will be crucial for the success of both blending and budgetary guarantees. Similarly, coherence and synergies with regional and bilateral projects in a vast number of sectors will be capitalised on – for this purpose support from EU Delegation will be key.

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

The beneficiaries of the Facility will be Latin American and Caribbean countries as duty bearers via their central, regional and local administrations or semi-public institutions, and the private sector, in particular local Financial Institutions and MSMEs, especially those lead by women.

Other stakeholders include European or regional Financial Institutions that are eligible to become Lead Financial Institutions for LACIF funded operations, as well other those co-implementing operations.

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be examined by the Board of the NDICI Blending Framework, on a case by case basis, following a targeted approach, based on the specific added value as a lead financier in a particular project or region. This would include those aspects in which non-European FIs might contribute to fill the gap left by European FIs, in particular regarding their:

a) specific thorough knowledge of local conditions and presence in the region *(particularly in the case of the Caribbean where European FI have little presence)*

b) specific analytical capacities and specific expertise and know-how, notably on private sector financing and the promotion of financial instruments and/or of innovative financing tools that attract private funding,

c) specific know-how and experience in relevant sectors *(for example on social cohesion or migration),*

d) additional technical and/or financial capacity to substantially leverage further resources.

European IFIs will have a preferential role; nonetheless non-European IFIs support might be particularly relevant in the Caribbean given the new restrictions in terms of contracting timing compared to EDF rules, the limited local presence of European IFIs and the lack of bankable projects ready for investment. After careful examination of pipeline proposals and analysis of partner countries' needs carried out in coordination with EU Delegations, the LACIF Team could communicate in writing to European IFIs the priority sectors and countries for which no adequate proposals have been received. Only if at that stage European IFIs do not submit suitable proposals, the blending Board approval will be sought to invite regional IFIs to submit proposals, instead of requesting approval to the Board once a full proposal has been negotiated with a non-European IFI. This procedure would thus speed up the process and allow LACIF to invest in all priority sectors identified in this and sequent Action Documents while responding to partner countries' needs. This strategy would also be positive for our relations with partner countries, helping maintain visibility and credibility.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this Facility is to contribute to a green and digital transition while fostering a sustainable and inclusive socio-economic recovery in beneficiary countries of LACIF, line with the objectives of the Multiannual Indicative Programme (MIP) 2021 – 2027 for Latin America and the Caribbean.

Projects financed under the Facility support the priorities:

- Green Transition
- Digital Alliance
- Sustainable and inclusive economic recovery
- Democratic Governance, Security and Migration
- Social cohesion, inequalities and human development.

Other priorities as presented in National Multiannual Indicative Programmes may also be financed by LACIF.

There are no limitations regarding sectors for LACIF, however based on the past performance of LAIF and CIF and on the knowledge of the needs in country and the pipeline under development, LACIF will focus on its first year of operations on the first three objectives of the Regional MIP. However, given the dynamic nature of the pipeline the logframe can be revised to include other main objectives if needed. Indicatively, EUR 40M would 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); EUR 10M to the Digital Alliance and EUR 20 M to the sustainable and inclusive economic recovery with particular focus of MSMEs, in particular those led by women and young people. The remaining EUR 10M will be set aside for other operations I sectors not targeted by the three main objectives (e.g. human development). A top up to the facility is foreseen in two years and the share of the envelope devoted to each sector will vary depending on the needs of partner countries and absorption capacity. Other sectors for which no interventions are foreseen in the next two years, will receive funding from future top-ups, for instance migration or health and human development. The aim of the Facility is to devote indicatively 75% of its resources in Latin America and 25% in the Caribbean over the period 2021-2027, where the share will be calculated over the whole period and not year per year.

<u>The Specific(s) Objective(s) (Outcomes) of this action are to:</u>

1. Increase access to sustainable energy, water and sanitation or other basic services like healthcare/education and mobility infrastructure in line with the external dimension of the Green Deal (DAC codes 140, 230, 310, 210, 410, 430, 730) (SDGs 6, 7, 9, 11, 12 13, 15) and in support of NDC commitments (SDGs 6, 7, 9, 11, 13, 15).
2. Enhance backbone digital connectivity in line with the Digital Transition (DAC codes 22040, 32182) (SDG 9,5)

3. Increase support to MSMEs in line with the Sustainable and Inclusive Economic Recovery, promoting a green, low-carbon and resilient transition to sustainable production patterns (special attention to those led by women and young people) (DAC code 250) (SDGs 8, 10, 12)

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are :

1.1 contributing to Outcome 1 (or Specific Objective 1) Enhanced resilient infrastructure to produce renewable energy and to enhance energy efficiency, 1. 2 Enhanced resilient infrastructure for sustainable urban mobility, 1.3 Enhanced sustainable infrastructure for water and sanitation

2.1 contributing to Outcome 2 (or Specific Objective 2) Improved and increased connection to open, affordable and secure broadband connectivity and digital infrastructure
3.1 contributing to Outcome 3 (or Specific Objective 3) Increased availability of appropriate products and financial services for MSMEs and Increased capacity for business innovation and entrepreneurship, including on sustainable and digital solutions
4.1 contributing to all outcomes (or specific objectives) Unlocked finance to contribute to sustainable development

LACIF will also contribute substantially to the NDICI-Global Europe spending targets on climate change and inclusive and sustainable growth for human development, and will, when possible, contribute to sustainable finance instruments, including Green Bonds.
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 will follow the NDICI blending governance and individual projects will be approved at a later stage after TAM and Board submission. Therefore single projects and their corresponding activities cannot be identified yet. Nevertheless, the pipeline will be built in accordance with the objectives of the Regional and National MIPs, under the policy steer of EU Delegations and will be submitted to the SSC, TAM and Board for approval and therefore will count with political support from partner national and sub-national governments and from the Commission's hierarchy.
Quality of the content of the proposals will be analysed with support from thematic colleagues and, if necessary, with external experts through the LACIF Technical Assistance (contract to be signed in 2021 from LAIF and CIF funds). Each project will have its own Logical Framework matrix and set of indicators disaggregated at least by sex, always in line with the guidance of Unit "Performance, Results and Evaluation; Internal Communication, Knowledge Management and Collaborative Methods" to allow for proper results monitoring and experience sharing.

3.3. Mainstreaming

Environmental Protection & Climate Change

To be developed at single project level. Pillar assessed financial institutions are responsible for and will ensure that all projects financed with EU resources respect EU principles in terms of environmental and social impact as well as under the rights-based approach to development (e.g. gender issues, indigenous people rights, etc.) and Do-No-Harm and conflict sensitivity, proper public procurement, equal opportunities and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures.

All interventions will be screened for their environmental impact and proneness to climate risks and consequent disaster risk-reduction, in accordance with the screening procedure in the EU guidelines "Integrating the environment and climate change into EU international cooperation and development", or equivalent screenings for the lead financial institution. Environmental impact assessments and climate risk assessments, including consultations with local populations, will be prepared as required to ensure the interventions' environmental sustainability and climate resilience. These should be linked to Do-No-Harm considerations in relation to unintended negative impacts in relation to social safeguards, human rights, conflict and violence.

*S*ynergies 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 the support of EU Delegations and HQ colleagues. 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.

In the selection of its portfolio, LACIF will give priority to investments that align with the guiding principles of the 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.

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 implies that gender will be mainstreamed under all individual projects financed under the Facility. Gender equality and empowerment of women and girls will be included as much as possible in all operations through specific activities or components and indicators will be disaggregated to measure the impact of LACIF in the fight against gender inequality. In particular, proposals will be aligned with the EU Gender Action Plan and will follow the principle of leaving no one behind.
All projects will ensure that beneficiaries as rights holders, communities and civil society (including women's organisations and gender national machineries, i.e. Ministry of Women, or Gender Units at the line ministries and representative organisation of persons with disabilities) are actively involved on consultations during identification, implementation and monitoring. A specific attention should be given to Indigenous Peoples' Rights, especially due to the significant presence of indigenous peoples in LAC, and in particular due regard to the right of Free, Prior and Informed Consent (FPIC) as contemplated in the EU Council Conclusions on Indigenous Peoples (2017).

The private sector will be encouraged to abide by the UN Guiding Principles on Business and Human Rights 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

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[6]. The proposed action will develop the capacities of 'duty-bearers' to meet their obligations and private sector to contribute to the alleviation of poverty. In line with the human rights-based approach methodology, the proposed action will abide by the 'do no harm principle' to avoid unintended negative impact in terms of human rights and UN guiding principles on business and human rights[7].

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0.

Disaster Risk Reduction, disaster prevention, disaster preparedness.

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 DRM 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 recovery from COVID.

[6] https://ec.europa.eu/international-partnerships/system/files/swd-2021-human-right-based-approach_en.pdf
[7] https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

Conflict Sensitivity and Resilience
Climate change is a major driver and amplifier of disasters and a source of instability, competition for resources and inequalities. Natural and man-made Disasters disproportionately affect lower-income countries and people living in poverty and communities in vulnerable situations. Climate change impacts not only can cause more frequent and intense extreme weather events but can also disrupt livelihoods, food production and food security – for example, through volatile food prices or in terms of access to water or land, natural resources and livelihoods, and their sustainable and inclusive management.

Given that NDICI prescribes conflict-sensitive approaches which commit to maximising peace and resilience opportunities, these should be borne in mind during programme identification, formulation, implementation and monitoring, through appropriate conflict sensitivity assessments or taking stock of existing or ongoing conflict analyses. 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.

Migration and forced displacement
Migration and forced displacement are key drivers of inequality in the region, more particularly in the context of the Venezuelan crisis and the migratory flows from Central America, as well as the forced displacement resulting from the Colombian Peace process. Given that there is recent experience with the Latin American Investment Facility financing projects in the area of migration in Peru and Colombia, specific attention will be paid to migrant and displaced population as beneficiary of LACIF actions as well as key stakeholders in any decision making process.

3.4. Risks and Lessons Learnt

Category	**Risks**	**Likelihood (High/ Medium/ Low)**	**Impact (High/ Medium/ Low)**	**Mitigating measures**
Financial	high indebtedness	**M**	**H**	Macroeconomic data and debt sustainability of the beneficiary countries must be taken into account when selecting projects
Financial / environmental	Vulnerability to external economic and climatic shock	**M**	**H**	Project application forms contain information about debt sustainability provided by finance institutions
Financial	Projects should not crowd out private sector financing	**L**	**M**	Avoidance of market distortions is one of the 12 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 by the finance institutions and then assessed internally
Project Management	Lack of robustness of the EU development finance sector may have a negative impact on the preparation/ implementation of the projects (particularly in the Caribbean)	**M**	**M**	Special care to facilitate regional financial institutions to participate in Caribbean projects
Lack of appropriate human rights and environmental due diligence or	Lack of capacity or willingness to conduct social and environmental impacts	**M**	**H**	Ensure that specific clauses are linked to funding for investment banks and private sector and that this risk is monitored and assessed

unintended harmful impacts on communities, society, women, indigenous peoples and other marginalised groups	assessments or conflict sensitivity assessments or to implement FPIC for indigenous peoples			
People and the organization	Institutionalised corruption	M	H	Implement anti-corruption and fraud measures throughout the action.

Lessons Learnt:

The present action is the continuation and builds on the achievements of the first phase of the LAIF and CIF programmes, which were established in 2010 and 2012 respectively. Reviews, assessments, monitoring results (Results Oriented Monitoring) and evaluations of previous actions will serve as lessons learnt for LACIF. The work carried out by the LAIF Technical Assistance regarding the identification of lessons learnt and the analysis of ongoing projects will be very helpful as well.

The Evaluation of blending carried on behalf of the European Commission on 2016 concluded that blending is a useful instrument that provides a strategic advantage, adding value, supporting private sector and learning from previous experience. Project design was sound overall but the report also offered recommendations including the need to expand the number and specialisation of IFI partners (particularly encouraged in the case of the Caribbean in the framework of this Action Document), sharpen the alignment of blending projects with national policies (for which the EU Delegations can provide specific support), continue with improvements and innovation on project design in order to ensure potential optimisation, boost the contribution to private sector development by expanding the use of risk sharing instruments to financial intermediaries, undertake assessment of the partner's procurement and contracting systems and to take a pro-active stance on visibility (which will be enhanced by the future LACIF Technical Assistance)[8]. All this aspects will be taken into account amongst other with a systematic use of EU internal risk assessment tools.

Lessons extracted by the LAIF and CIF teams include the need to involve all relevant stakeholders from the early stages of the preparation of proposals. EU Delegations play a key role in the whole blending proposal approval and implementing processes and it is key to maintain a fluid communication with them. As main drivers of the policy steer, EU Delegations shall be consulted by IFIs from the beginning of the preparation of proposals. IFIs also have a decisive role on monitoring and exchanges with them should be constant too. Monitoring at project level is followed by EU Delegations (except for regional programmes in Latin America), but the teams in HQs are responsible of compiling and disseminating results. This requires further standardization of indicators and an improved monitoring system that involves all actors. Moreover, strong links with IFIs also result in an improved communication strategy and an enhanced presence in the media that boost the visibility of the European Union in partner countries.

These recommendations have been dealt with by the EU policy group established under the EU Platform for Blending in External Cooperation. They were consequently incorporated in an improved project application form, as well as in a newly developed blending results measurement framework and will be taken into account by the LACIF team in Headquarters and Delegations.

[8] https://ec.europa.eu/international-partnerships/system/files/evaluation-blending-volume1_en.pdf

3.5. The Intervention Logic

The underlying intervention logic for this action is that blending is a tool that will be used to support the fulfilment of INTPA's objectives in Latin America and the Caribbean as presented in the Regional MIP 2021-2027. Given the multi-sectorial and multi-country nature of these objectives, and the lack of definition of specific LACIF projects at this stage, outputs as defined in the Logical Framework Approach at this stage cannot be fully specified at this stage.

The intervention logic of each project will be defined in each application fiche and subsequent contribution agreement that will include a logical framework matrix with indicators. 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.

The general intervention logic of LACIF is based on the understanding that financing sustainable infrastructure (affordable, resiliable, resilient, climate-proofed) will increase equal access for all people (including those living in the most marginalised situations) to affordable water, transport and energy in a safe and resilient manner, to affordable digital connectivity and it will as well as promote inclusive MSME growth with a special attention to those led by women and young people (as outlined in the Specific Objectives). The main assumptions at this level are that: (a) Partner countries have identified priority investments and are ready to finance them through their own resources as well as through loans; (b) the Financial Institutions' pipeline of projects is of sufficient volume and quality; and (c) financial guarantees/grant resources are available in countries with access to concessional financing. These should also include human rights and gender equality obligations to ensure that the FI (and local partner/s) respect and apply environmental and social policy and safeguards and due diligence in line with EU and international standards.

In the long term, this Action will contribute to a green and digital transition while fostering a sustainable and inclusive economic recovery in beneficiary countries (Overall Objective). This wider Objective implies reduced unemployment and poverty of women and men, reduced pollution and an advanced economy, which is equitable, inclusive and environmentally sustainable and resilient. At this level, the main assumption is that the political and security climate in Latin America and the Caribbean will remain sufficiently stable to promote and secure investments.

This regional allocation to the Latin America and Caribbean Facility will serve to fund regional projects, projects taking place in countries without a bilateral allocation or exceptionally in countries that have already exhausted their bilateral contribution to the Latin America and Caribbean Facility as earmarked in their bilateral envelopes. On the other hand, most bilateral projects will be financed by bilateral funds that will be reallocated into LACIF. This operation can take place ex-post if necessary, in order to allow timely contracting of blending programmes in MIP countries that have not previously contributed to the funding of the Facility. Identification and formulation of bilateral projects, as well as the TAM Board procedures of bilateral projects will be managed by EU Delegations with support from the LACIF Team in headquarters. This division of tasks among bilateral and regional interventions will be taken into account and the LACIF Team in Headquarters will seek help from EU Delegations and the LACIF Technical Assistance to ensure complementarities and coherence are respected.

3.6. Logical Framework Matrix

At action level, the indicative logframe should have a maximum of 10 expected results (Impact/Outcome(s)/Output(s)).
It 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 (values and years) Not applicable at facility level	Sources of data Not applicable at facility level	Assumptions Not applicable at facility level
Impact	To contribute to a green and digital transition while fostering a sustainable and inclusive economic recovery in beneficiary countries (as per the priorities of the Regional MIP)	1 Total number of people benefitting from EU supported interventions that aim to reduce social and economic inequality, including those living below the poverty line, disaggregated by sex, and age and indigenous status where possible 2 Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support (EURF 2.7 and Regional MIP) 3 Annual GDP growth (per country depending on operations approved) 4 Number of (a) jobs, (b) green jobs supported/sustained by the EU disaggregated by sex, age, indigenous status, and migratory status where possible (EURF 2.13 and GAP III)				
Outcome 1	1 Increased access to sustainable energy, water and sanitation and transport infrastructure/ Low carbon and climate resilient growth (Regional MIP)	1.1 Number of people with access to electricity with EU support through: (a) new access, (b) improved access , disaggregated by sex and age indigenous status, and migratory status if possible, (EURF 2.3) and GAP III) 1.2 Number of people with access to improved improved drinking water source and/or sanitation facility with EU support (EURF 2.37 and GAP III), disaggregated by sex and age, including migrants and displaced persons if possible (EURF and GAP III) 1.3 Number of additional urban transport users per year, disaggregated by sex and age.including migrants and displaced persons if possible.				

Outcome 2	2 Backbone digital connectivity enhanced (Regional MIP)	2.1 Number of households and/or businesses with access to internet, including households of migrants/displaced persons (EURF) disaggregated by type of household (sex of household head, number of members, member living with disabilities) 2.2 Number of people using digital financial services through investment support, disaggregated by sex, age, rural/urban and migratory status (migrant/.displaced persons) where relevant (EURF and Regional MIP and GAP III)				
Outcome 3	3. Increased access to finance for MSMEs with specific focus on innovation, entrepreneurship and vulnerable sectors of the population.	3.1 Number of MSMEs that obtain financial services, disaggregated by sex and age of its owner and migration status where relevant (to be matched with EURF 2.17 and GAP III) 3.2 Turnover of MSMEs supported 3.3 Number of beneficiaries with access to financial services with EU support: a) proportion of women-led firms, b) individuals, disaggregated by sex 3.4 Number of private sector initiatives supported by the EU and led by sectors of the population most affected by unemployment/informality/economic exclusion -(women/young people/indigenous communities/ afro-descendant communities/disabled) 3.5 Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support (EURF and Regional MIP) 3.6 % of MSME lead by women/young women/young men				

Output 1 related to Outcome 1	1.1 Enhanced resilient infrastructure to produce renewable energy and to enhance energy efficiency (Regional MIP)	1.1.1 Renewable energy generation capacity installed (MW) with EU support (EURF 2.4 1.1.2 Transmission and distribution lines installed or upgraded (Km) with support of the EU-funded intervention 1.1.3 Leverage effect in energy projects (ratio of the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution)				
Output 2 related to Outcome 1	1.2 Enhanced resilient infrastructure for sustainable urban mobility	1.2.1 Total length of transport infrastructure supported by the EU (kms): (a) roads, (b) railways, (c) waterways (EURF 2.18) 1.2.2 Leverage effect in mobility projects (ratio of the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution)				
Output 3 related to Outcome 1	1.3 Enhanced resilient infrastructure for water and sanitation (Regional MIP)	1.3.1 Water treatment capacity (M3/day) added with support of the EU-funded intervention 1.3.2 Number of Water and sanitation infrastructure installed/renewed with support of the EU-funded intervention 1.3.3 Leverage effect in water and sanitation projects (ratio of the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution)				

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 of optical fibre cables installed (Km) with support of the EU-funded intervention 2.1.2 Leverage effect in digital projects (ratio of the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution)				
Output 1 related to Outcome 3	3.1. Increased availability of appropriate products and financial services for MSMEs	3.1.1 Volume of new loans made available to financial intermediaries with support of the EU-funded intervention				
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 of owner 3.2.2 Number of firms that utilize business development services with support of the EU-funded intervention, disaggregated by size of firm, sex of owner				
Output 1 related to outcomes 1, 2 and 3	4.1 Unlocked finance	4.1 Leverage effect of LACIF (ratio of the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution)				

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 96 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[9].

4.3.1. Contribution to the Latin America and Caribbean Investment Facility (LACIF)

This contribution may be implemented under indirect management by one of the entities identified in appendix II to this Action Document.

The Lead Finance Insitutions eligible for presenting proposals are listed in Appendix II and have been selected using the following criteria:

(a) alignment with the strategic priorities as agreed with EU partner countries in the context of the programming and Mid-Term Review process;

(b) compliance with EU policies, sector/thematic policies;

(c) additionality of EU contribution;

(d) 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 so called Lead Financial Institution. This includes a multilateral European financial institutions (e.g. EIB, EBRD); a European national FI (t financial institution) or national development banks (NDBs) from a Member State (e.g. AFD, KfW, AECID, COFIDES, PROPARCO); or other multilateral bank which can act as a lead in specific cases (e.g. the Latin American Development Bank in Latin America and the Caribbean or the Caribbean Development Bank).

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be assessed and approved by the Board of the NDICI Blending Framework on a case by case basis, following a tailored approach based on the specific added

[9] 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.

value as a lead financier over alternatives in any particular 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, in accordance with Article 26 (1) Regulation (EU) 2021/947. The entrusted tasks may be the implementation of procurement and grants following the rules assessed and approved by the 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.

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.

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

4.5. Indicative Budget

Indicative Budget components	**EU contribution (amount in EUR)**	
Indirect management with Financial Institutions	80 000 000	
Totals	80 000 000	

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 socio-economic development as well as the efficiency of their management including a reduction of transaction costs.

The **decision-making process** for individual investments will be organised in a two level structure:

- Opinions on projects will be formulated by the Board;
- Such opinions will be prepared during dedicated Technical Meetings.

Rules of procedure will further detail the decision making process and will be approved in the first meetings of the Board.

The **Board** is chaired by the European Commission services. It includes the EU Member states as the voting members and FIs as observers. The opinion of the Board can be positive, negative or recommend re-submission of the project proposals. FIs will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted but they will not be present during the formal formulation of opinions by the Board. The part of the meeting where opinions on requests for EU contributions are expressed will be restricted only to the Commission services, the EEAS and the voting members. The conclusions including their justifications will be subsequently communicated to the FIs in writing.

The Board will also be responsible for:

- Providing strategic guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the regional programming process and in relevant strategic discussions with regional organizations),
- Monitor and review the pipeline of projects, based on the results of the discussions at the technical level,
- Examining project related results (including the annual reports), monitor the portfolio of approved projects and feed the discussions on the set-up of EU blending framework based on results,
- Promoting exchanges of best practices,
- Drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour,
- Adopting the Board's Rules of Procedure and amending them as necessary,
- Examine the involvement of non-European FIs as lead financiers on a case by case basis following a targeted approach, based on the specific added value as a lead financier brought in a particular project or region.

The Board would meet 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.

In the Board, opinions on EU grant requests will be taken by consensus, but if needed for the formulation of the opinion, regular voting rules of the NDICI Committee shall apply. The conclusions of the Board must be incorporated in relevant Commission decisions for the EU budget as mandated by the relevant Financial Regulations and their Implementing Rules/Rules of Application.

Technical assessment meetings (TAMs) chaired by the Commission services with the participation of EEAS and Finance Institutions will be held to:

- Review and discuss the pipeline to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political objectives. Results of the pipeline discussion shall be transmitted to the Board,
- Assess project proposals submitted by a Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other Financial Institutions for peer review and possible written comments. In particular, 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,
- Facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

The Chair will summarise the main outcomes of the discussion and recommendations as to the way forward. Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FIs, the concerned Commission services and the EEAS. If appropriate, such meetings may include or be complemented by virtual meetings and/or written exchanges. The Lead Financial Institution, on the basis of and depending on the comments made, will then be able to submit a revised proposal for further technical discussions at a later technical meeting or a final revised application form in view of the submission to the Board. In accordance with the recommendations made under the EU Platform for Blending in External Cooperation, non-European Finance Institutions active in a particular region should be invited to attend relevant technical and Board meetings as observers.

Strategic Orientations

Strategic orientations will be discussed in strategic meetings with beneficiary countries and financial institutions in dedicated strategic meetings under the ownership principle of EU development cooperation. These strategic discussions will cover priorities for action and will provide strategic and policy guidance on the consistency and relevance of the interventions with the regional programming documents and strategies in the context of the new NDICI Programming.

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:

i. the consistency and compatibility of LACIF's operations with EU Policies, relevant regional or bilateral agreements, Action Plans, Strategy Papers and the Multi-annual Indicative Programmes in force;
ii. the needs and the evolutions in the various priority support sectors;
iii. LACIF's effectiveness, results and impact at strategic level.

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.

Changes into this set-up due to the approval of the new Vademecum will be ne taken into account and incorporated into the existing structure.

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 partner 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 disaggregated minimum by sex, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

All monitoring and reporting shall assess how the action is taking into account the human rights-based approach and gender equality

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

Roles and responsibilities for data collection, analysis and monitoring:

In accordance with Regulation (EU) 2021/947, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the Latin America and Caribbean Investment Facility, including the details laid down in Article 209 of Regulation (EU, Euratom) 2018/1046. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities.

The entrusted entities should provide all the relevant information on the execution of the projects, including compiling reporting from all implementing partners/subsidiaries, in order to enable the European Commission to carry out the required follow up of the actions. As per the recommendation of the EU Platform for Blending and External Cooperation (EUBEC), the Commission will monitor the performance of the projects benefiting from LACIF grants based on the EU Platform on Blending in External Cooperation discussions and considering the relevant EU Result Framework, or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the Regional Indicative Programme and – where applicable – the relevant bilateral Multi-annual Indicative Programme.

The day-to-day technical and financial monitoring of the implementation of contracts funded under the Facility will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partner 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 (including the impact on gender equality, disability inclusiveness and accessibility of infrastructure and human rights), as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators (at least data disaggregated by sex and age and disability, and when feasible disability data, as well as specific targets for women's inclusion).. The report will be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial report, will cover the entire period of the action's implementation.

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).

Specific clauses will be included in the agreements signed by the IFIs and with the local banks in order to ensure that the human rights and gender equality dimension is effectively implemented and monitored.

5.2. Evaluation

Having regard to the importance of the action, a(n) ex-post evaluation(s) will be carried out for this action or its components through a joint mission
It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the multi-country and multi-sector nature of the Facility. Colleagues from EU Delegations in charge of different portfolios might be invited to form part of the mission to ensure coherence of EU external actions.
All evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination[10]. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.
The financing of the evaluation shall 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.

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.

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

[10] See best practice of evaluation dissemination

APPENDIX 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.
Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

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 is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.
In the case of ‘Group of actions’ level, add references to the present action and other action concerning the same Primary Intervention.
In the case of ‘Contract level’, add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

Option 1: Action level		
☐	Single action	Present action: all contracts in the present action
Option 2: Group of actions level		
☒	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action>
Option 3: Contract level		
☐	Single Contract 1	<foreseen individual legal commitment (or contract)>
☐	Single Contract 2	<foreseen individual legal commitment (or contract)>
☐	Single Contract 3	<foreseen individual legal commitment (or contract)>
	(…)	
☐	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 2 IMPLEMENTING PARTNERS (NON-EXHAUSTIVE LIST)

EUROPEAN IMPLEMENTING PARTNERS
AECID, COFIDES
AFD, PROPARCO
CDP
EDFI
EIB
FMO
KfW, DEG
REGIONAL AND INTERNATIONAL IMPLEMENTING PARTNERS
CABEI
CAF
CDB
IDB
WBG (IBRD, IDA, IFC, MIGA, ICSID)