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ANNEX

to the Commission Implementing Decision on the financing the individual measure in favour of Paraguay for 2024

Action Document for the Support for the promotion and strengthening of the sustainability and competitiveness of Paraguay’s agricultural, forestry and agro-industrial value chains.

This document constitutes the annual 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	Support for the promotion and strengthening of the sustainability and competitiveness of Paraguay’s agricultural, forestry and agro-industrial value chains. OPSYS number: ACT-61782 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	Yes ¹ Green Alliance for Paraguay
3. Zone benefiting from the action	The action shall be carried out in Paraguay.
4. Programming document	Multi Annual Indicative Programme (MIP) for the Republic of Paraguay for the period 2021-2027 ²
5. Link with relevant MIP(s) objectives / expected results	Priority Area 1: Green and resilient economy Specific Objective 2: To support sustainable production models, including circular economy, and sustainable value chains development
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Green and resilient economy 311 - Agriculture 320 - Industry 410 - General environmental protection 33120 - Trade facilitation

¹ Contributions are not directly linked to this action but to the same sector.

² C(2021) 8988 final Commission implementing a decision adopting a multiannual indicative programme for Paraguay for the period 2021-2027

7. Sustainable Development Goals (SDGs)	Main SDGs: SDG 12 Responsible production and consumption. Other significant SDGs: SDG 8 Decent work and economic growth SDG 9 Industry, innovation and infrastructure SDG 13 Climate action SDG 17 Partnerships to achieve the goal SDG 5 Gender equality SDG 10 Reducing inequalities SDG 1 End poverty			
8 a) DAC code(s)	31161 - Sustainable Agricultural Production Systems (20%) 31162 - Agro-industries (20%) 25030 - Business development services (15%) 32182 - Research and technological development (10%) 410 - General environmental protection (20%) 33120 - Trade facilitation (15%)			
8 b) Main Delivery Channel	40000 - Multilateral organisations 60000 - Private sector organisations			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Digital Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
	Digital Governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Digital Entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Digital Skills/Literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Digital Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Digital Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
	Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Health	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Education And Research	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
BUDGET INFORMATION				
12. Amounts concerned	Budget line: 14.020140 Total estimated cost: EUR 10,200,000 Total amount of EU budget contribution EUR 10,000,000 This action is co-financed by potential grant beneficiaries for an amount of EUR 200,000.			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct management through:			

	<p>- Grants/procurement</p> <p>Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.4.</p>
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1.2 Summary of the Action

The programme “Support for the promotion and strengthening of the sustainability and competitiveness of Paraguay’s agricultural, forestry and agro-industrial value chains” will contribute to consolidating Paraguay’s insertion into international trade dynamics by promoting and strengthening the sustainability, competitiveness and traceability of prioritised value chains, the quality infrastructure and the diversification and innovation of key sectors for the economy.

The Action aims to contribute to sustainable productive and industrial innovation through the generation of added value in the agricultural, forestry and agro-industrial sectors and the development of the circular economy in the country. This will allow for the development of new trade links and the strengthening of existing ones. It will also directly contribute to supporting Paraguay’s efforts on climate change mitigation.

Building on the achievements of other EU projects, such as “Support to the improvement of the competitiveness of MSMEs and the business climate in Paraguay” (MIPYMES Compite) and AL INVEST Verde, the project will focus on the following areas of intervention: (i) strengthening the infrastructure of Paraguay’s quality systems to encourage the adoption of circular economy practices and other sustainable practices, (ii) implementation of socio-environmental traceability systems to support the production and exports of traceable and sustainable Paraguayan products such as beef, leather, soy and wood and (iii) generation of circular economy solutions in favour of the sustainability of Paraguayan agro-industry.

The programme will involve i) relevant public actors at state level y, ii) the main production and industry associations, iii) academia and research centres iv) private companies and v) civil society.

The activities will support the strengthening of the agricultural, forestry and agro-industrial sectors and the development of the circular economy in the country, and will support the implementation of Paraguay’s international commitments under the Paris Agreement, including its National Climate Change Adaptation Plan and its Nationally Determined Contributions.³

This action aims to generate favourable conditions to strengthen socio-economic traceability systems, with a view to promoting sustainable value chains. Strengthening national capacities will make it possible to participate in the most demanding markets, positioning Paraguay as a leading player in international trade.

The proposed action is developed within the framework of the 1992 Framework Cooperation Agreement, which is the basis for bilateral cooperation between Paraguay and the European Union, and is part of Priority Area 1 of the Multiannual Indicative Programme (MIP) 2021-2027 for cooperation between the EU and Paraguay “Green and Resilient Economy”. It is part of the Team Europe initiative “Green Alliance for Paraguay”.

The duration of this action will be six years (four years of implementation plus two years of closure) and the budget will be EUR 10 million.

In order to implement this action, it is envisaged to sign a Financing Agreement between the EU and Paraguay. The Financing Agreement shall be implemented in the spirit of international cooperation for the protection, conservation and sustainable use of natural resources, preserving the rights of present and future generations, without this implying waiving the right of States to make claims before international fora and bodies on the issues and objectives it pursues.

³ https://unfccc.int/sites/default/files/NDC/2022-06/Actualizaci%C3%B3n-NDC%20VF%20PAG.%20WEB_MADES%20Mayo%202022.pdf

Actions taken under the Financing Agreement shall be implemented in accordance with the Paraguayan legislation in force and Paraguay's international obligations. The same is unrelated to national positions in ongoing negotiations, nor does constitute recognition of internal regulations of other states or blocs of states.

1.3 Zone benefitting from the Action

The Action shall be carried out in Paraguay. The country is included in the list of ODA recipients.

2 RATIONALE

2.1 Context

Paraguay's economy is relatively small, open and highly dependent on agricultural and livestock production. Favourable external conditions, investment in new technologies, modernisation of production systems and promotion of sustainability in production and industry, as well as stable macroeconomic policies have helped Paraguay in achieving solid economic growth and the reduction of poverty from 45% to 26% over the last two decades.

Growth has slowed-down in recent years due to external factors, in particular the COVID-19 pandemic and recurrent droughts, which have affected agricultural and hydropower exports. 2022 closed with -0.3% growth, but as weather conditions normalised, Paraguay experienced an important growth of 4.5%⁴ in 2023.

Paraguay has diverse ecosystems that play an important role in the environmental balance. They hosts a unique biological wealth and strong potential for carbon sequestration. The world's largest water reserve, called the "Acuífero Guaraní" (Guarani aquifer), lies under Paraguay and extends into parts of Brazil and Argentina. Paraguay share the overall responsibility for preserving this essential resource with neighbouring countries. It also leads the generation of renewable electricity per capita and is one of the first exporters of renewable electricity.

Between 2004 and 2021 the Paraguayan economy, with an average annual GDP growth of 3.8%⁵, has been among the five fastest growing economies in Latin America and the Caribbean. This growth was based on the extensive use of its abundant natural resources, especially land for agribusiness and livestock and water for hydroelectric production. This growth was based on sustainable agricultural and agro-industrial production, with an energy matrix of almost 100% renewable.

The country's total forest cover area at the end of 2022 was 17,727,756.6 hectares, equivalent to 44.3% of the national territory, between 2005 and 2022 there was a loss of forest cover of 5,373,558.7 hectares, of which 88.2% were recorded in the Western region and 11.8% in the Eastern region. The annual rate of land use change between 2005 and 2022 is 316,091.7 hectares on average, which remains on a downward trend, as mentioned in "Our Forests" (INFONA, 2022). According to the World Forestry Watch the percentage of forest cover loss during the period 2002-2023 reached 29%, one of the highest in theregion. The Zero Deforestation Law of 2004, renewed for 10 years in 2021, prohibits land use change in the Eastern region of Paraguay, in the West/Chaco region land use change is allowed provided that at least 25% of forest area is retained on each property.

Paraguay is particularly vulnerable to the impacts of climate change. The Notre Dame Global Adaptation Initiative (ND-GAIN) climate vulnerability index ranks Paraguay 93rd out of 185 countries from least to most vulnerable⁶. Paraguay is also a Landlocked Developing Country (LLDC). With respect to LLDCs, the United Nations Framework Convention on Climate Change specifically indicates that their specific needs

⁴ Central Bank of Paraguay

⁵ Statistical Annex to the economic report, BCP.

⁶ <https://gain.nd.edu/our-work/country-index/rankings/>

and concerns must be addressed, both with respect to the adverse effects of climate change, and with respect to the impact of the implementation of response measures⁷.

Diversification and sustainable and inclusive use of natural resources are key to reducing vulnerability and making the country more resilient. Currently, between 90% and 95% of the crop area is covered by the direct sowing system (conservationist sowing), which makes it possible to increase the productivity and profitability of rulers such as soya, maize, wheat, etc., and also provides major economic, social and environmental benefits.

Paraguay's CO₂ emissions are among the lowest in the region (0.10% of global emissions), being a food-producing country, with a reduction in greenhouse gas emissions in the land use change, land use and forestry sectors⁸.

Paraguay's exports are concentrated in agricultural, agro-industrial products (soya and products, beef and veal) and electricity and are therefore highly vulnerable to commodity price fluctuations and major weather events. Furthermore, trade in primary products is affected by the redefinition of international commodity market rules. Today, the awareness of large consumers of raw materials and agri-food in the most sophisticated markets of the environmental impact of their demand has led to the formulation of policy and regulatory frameworks that support the transition towards more sustainable and sustainable economic growth models.

Trade in agricultural, forestry and agro-industrial products on international markets therefore requires both an increasing ability of exporting companies to check the sustainability of their production processes and the development by importing companies of due diligence systems capable of substantiating the sustainability of the products traded.

These developments have created the need to monitor and map the product along the value chain. In turn, this need has led to the adoption at international level of traceability and certification systems that allow for the transparency of production across all rings in the value chain to ensure that sustainability criteria have been met.

Strengthening trade links within and outside the region will contribute to the creation of aggregate value in the agricultural, forestry and agro-industrial sectors; and fostering a circular economy oriented industry, where investment in innovation plays a priority role.

Public Policy Assessment and EU Policy Framework

The National Development Plan 2030 (NDP 2030), updated in 2021, constitutes the country's vision document and is formulated around four strategic axis: (i) poverty reduction and social development; (ii) inclusive economic growth; and (iii) international projection of Paraguay in the world; and (iv) political and institutional strengthening. The updated PND also has four crosscutting lines: a) equal opportunities; b) efficient and transparent public management; c) territorial planning and development; and d) environmental sustainability. The NDP 2030 is in line with the Sustainable Development Goals (SDGs) and contains guidelines that are oriented towards sustainable, inclusive and equitable agri-food and agro-industrial systems. It includes objectives to promote the formation of greener value chains, boost innovation, design value aggregation strategies and quality services, promote appropriate regulation for the sustainable use of natural resources and positioning as a low-emission green production country.

Paraguay is a signatory to the Paris Agreement and submitted its Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015. The Fourth National Communication (NC4) with the GHG emissions inventory was submitted in 2023. These NDCs included targets and measures on the basis of the NDP 2030, with the aim of reducing GHG emissions by 20% by 2030. 10% of these reductions shall be made with own resources and the remaining 10% subject to the international cooperation received. The NDC was updated in 2021 with new mitigation sectors to reduce

⁷ Article 4.8 subparagraph i)

⁸ Fourth national communication (NC\$).

emissions. CN4 indicates a 44% reduction in emissions in the land use change and forestry sector and 14% in methane emissions in the agriculture and livestock sector compared to 2010.

Paraguay has a National Environmental Policy (PAN)⁹ that brings together the set of objectives, principles, criteria and general guidelines for the protection of the environment and society, in order to ensure sustainability for current and future generations, as established in the legal framework. It has also the National Forest Strategy for Sustainable Growth (ENBCS), aligned with Paraguay's 2030 National Development Plan.

The Ministry of Agriculture and Livestock developed sectoral policies, such as the "Agricultural Sector Policy Framework 2020-2030", the "Policy for the Sustainable Development of Livestock Production of the VMG 2019-2023", and the Strategic Plan for the Sustainable Development of the Dairy Chain 2020-2024.

The National Forestry Institute, through the National Forest Monitoring System (SNMF), aims to provide official information on the state of national forest cover held on the territory of the Republic of Paraguay. Information should be provided on a regular basis, and should be measurable, verifiable and comparable with other geographic information systems. The SNMF should provide parameters and information that allow dimensioning the magnitude of the carbon content stored in the national forest mass and the qualitative and quantitative typification of forest species that integrate the national forest mass.

The Presidency Management Unit of the Republic (UGPR) developed together with the National Council for Science and Technology (CONACYT), the National Innovation Strategy to promote the use of new technologies, digitalisation, research and development, and the promotion of innovation in sustainable production.

The Ministry of Industry and Trade (MIC), through the Viceministry of Industry and with support from the World Bank, is leading the formulation of the National Bioeconomy Strategy that supports the diversification of the productive chains in sectors and systems that depend on biological natural resources (animals, plants, microorganisms and derived biomass, including organic waste). It includes all sectors that use biological resources and processes to produce food, bio-based products, balanced food, energy and services as renewable organic materials from forests, soil/crops to create products such as food, paper, packaging, fuel, furniture and houses/buildings, moving products that are currently made of high carbon fossil origin.

Taking into account national initiatives, this action aims to create favorable conditions for strengthening the national system of socio-economic traceability and promoting the recognition and validation of official documents, with a view to promoting sustainable value chains. Strengthening national capacities will make it possible to participate in the most demanding markets, positioning Paraguay as a leading player in international trade.

The proposed action takes place in the context of the 1992 Framework Cooperation Agreement, which is the basis for bilateral cooperation between Paraguay and the European Union, and is part of priority area 1 of the Multiannual Indicative Programme (MIP) 2021-2027 of cooperation between the EU and Paraguay "Green and Resilient Economy".

It is part of the Team Europe initiative "Green Alliance for Paraguay"

It is part of the Team Europe initiative "Green Alliance for Paraguay", a series of projects and initiative financed by the EU, France, Germany, Italy, in Paraguay to support the fight against deforestation, the transition to a greener productive model and circular economy, and a better management and treatment of the water.

2.2 Problem Analysis

Although Paraguay's economic growth is one of the highest in Latin America, it has a high concentration of its exports in agricultural and agrindustrial products. This makes Paraguay highly vulnerable to the effects of climate change, which is enhanced by its LLDC status.

⁹ DNCC (2018). Políticas Públicas sobre Cambio Climático. URL: <http://dncc.mades.gov.py/politicas-publicas-de-cambio-climatico>.

The contribution of the primary and agro-industrial sector to national GDP in the period 2011-2021 was as follows: 8.1% agriculture, 2.2% livestock farming, 1% forestry, fisheries and mining in the primary sector; and food from agricultural sources, livestock and wood and paper products and others in the secondary sector account for 19% (Central Bank of Paraguay, 2023).

In terms of foreign trade, all agricultural and agro-industrial products account for 74% of Paraguay's exports (BCP, 2023) and account for more than 32% of the country's labour force, while non-agro-industrial products account for the remaining 26%. The main agroindustrial exports are seeds and oilseeds, meat and edible offal, food waste (including animal feed), cereals and animal fats, fur and leather, and other animal products.

The EU market captured 4.4% of Paraguay's export value in 2023 (EUR 454 million)¹⁰, and represents today, the fifth largest trading partners after Mercosur (49%). The main products exported were food waste, including animal feed, which accounted for 57% of the value exported to the EU. Meat products and their derivatives such as leather and other animal products also have a market in the EU, together accounting for 17%. Oilseeds, such as sesame and chia, constitute 11% of the value exported to the EU (ITC, 2022). Consequently, the largest share of Paraguay's export value to the EU will be subject to due diligence and will have to be traceable under the EU regulation 2023/1115 on deforestation-free value chains.

There are three public traceability systems in the livestock chain, mainly aimed at controlling the safety of production and administered by the National Animal Health and Quality Service (SENACSA): (a) the Regional Offices Management Computer System (SIGOR) which compulsorily registers the whole country's livestock production lots and their mobilisation through the breeding, rearing, fattening, slaughterhouse and refrigeration stages; (b) the Paraguay Traceability System (SITRAP) which voluntarily tracks the individual mobilisation of 1.35 million head of cattle from 335 establishments (as of 2024) from origin to export, using individual identifications (caravans and ear buttons) and ear tags for each animal. The latter is a requirement for farmers exporting to the European Union to benefit from the preferential import duty known as the Hilton Quota. Both systems, SIGOR and SITRAP, register certificates of legal compliance in terms of veterinary health granted by SENACSA, environmental management granted by MADES, and land use granted by INFONA. (c) Paraguay Animal Identification System (SIAP), recently enacted by Law 7221/2023, which aims at the individual identification of 100% of national livestock of all domestic species.

INFONA has land use coverage maps that will allow the verification of deforestation or non-deforestation in agroindustrial and forestry farms as well as a system of early warning of deforestation that allows for the correct monitoring of forest resources at the country level, regardless of the type of production.

The Environmental Impact Statement (EI), established by Law No 294/93 and regulated by Decrees Nos 453 and 954, is an environmental management tool issued by MADES, that can contribute to environmental traceability processes. It is a technical-scientific document resulting from the analysis of the methods, processes, works and activities capable of causing significant environmental impact. It also allows the identification, among other aspects, of the origin of raw materials, of the natural resources used for the work or activity, the amount of energy and water used or to be used, the greenhouse gas emissions produced, the amount of waste generated and its disposal. It ensure the compliance with environmental management through environmental audits.

SENAVE is the phytosanitary authority responsible for issuing the phytosanitary certificate for shipments that meet phytosanitary import requirements, and applies to most plants, plant products and other items regulated in international trade under the International Plant Protection Convention.

In addition, SENAVE is implementing a traceability system for fruit and vegetable products through the development of a platform that allows producer to self-manage the process, from the registration of the producer and his farm to the issuance of an electronic Plant Traceability Document (eVTD) that accompanies the dispatch to markets. The Plant Traceability Document provides information on the origin, producer data, product quantity, transport data and destination of fruit and vegetable products.

¹⁰ Ministry of External Relations, DCEL

The Decree No. 1244 of 18 February 2014, in force, establishes a national traceability system for plant products and by-products (SITRAVE) with the following objectives: a) To provide data on the origin and destination of the products, enabling them to be identified at each stage in the system, from production to marketing, b) To provide reliable information for the location and identification of products lots and batches and sale of plant products and by-products, c) To assist in the control of health, quality and safety of plant products and by-products, d) To facilitate the implementation of corrective measures in the event of an incident associated with the production and sale of plant products and by-products. SENAVE, supported by a Public-Private Inter-institutional Technical Committee, is responsible for the system.

SENAVE and SENACSA are the authorities responsible for the registration, supervision, control of operators and of the participatory quality assurance systems within the framework of Law No. 3481/08 on the Promotion and Control of Organic Production.

In addition, SENAVE is implementing a Participatory Guarantee System, which is a process of generating credibility for the local market, which presupposes the participation of all parts interested in ensuring the quality of the final product and the organic production process.

It is necessary to consider that 96% of Paraguay's domestic soybean production in its natural state enters Argentina, and makes up 30% of Argentina's exports to international markets, including the EU. Likewise, 33% of Paraguay's domestic soya flour production is sent to the EU. This is why it is important to develop a comprehensive socio-environmental traceability system in Paraguay to ensure that Paraguayan agricultural and agro-industrial products maintain their most important and demanding destination markets. This implies the need for Paraguayan systems to be able to interface with Argentinian systems in order to ensure full traceability along the supply chain.

Moreover Paraguay is in the process of diversifying its export supply and strengthening the sustainability of agricultural, forestry and agro-industrial value chains, in line with national sustainable development policies and market requirements.

Sustainable development requires a quality infrastructure system that is solid and adequate to the challenges of our times. A quality infrastructure is a system that contributes to government policy objectives in areas such as industrial development, trade competitiveness in global markets, efficient use of natural and human resources, food security, health, environment and mitigating and combating the adverse effects of climate change.

Although Paraguay has made progress in implementing quality systems, there are still challenges in terms of compliance and monitoring of standards. The strengthening of these systems is essential to strengthen competitiveness of Paraguayan products and services, both domestically and in the international market. According to UNIDO's Quality Infrastructure for Sustainable Development (QI4SD) index for Latin America and the Caribbean, Paraguay is in 18th place with an index of 18.65. This compares to similar countries such as the Dominican Republic with 34.99 and Peru with 45.14, which are ranked 10 and 5 respectively.

Paraguay does not currently have an accreditation body recognised internationally by the International Accreditation Forum (IAF) or the International Laboratory Accreditation Cooperation (ILAC) for ISO 9001 certification accreditation. However, there are foreign certification bodies in Paraguay that offer process certification services, such as the ISO 9001. Certification organisations in Paraguay can follow accreditation or recognition processes at national or regional level, allowing them to operate in a valid and reliable manner in the country. There are voluntary and mandatory certifications for different products and services in Paraguay. Examples include the certification of organic products, energy labelling for household appliances, and Good Manufacturing Practices (GMP) certification in the food and pharmaceutical industry. Despite the existence of several initiatives to support the circular economy, there are still no certifications for circular products.

The concept of circular economy was first included in the legislation Paraguay in 2020 through the National Urban Solid Waste Management Plan, which highlights the importance of circular economy in the design of new products for the prevention and use of waste. Circular economy policies and good practices are slowly developing in the country. Today Paraguay has a "Diagnosis of the current situation of the Circular Economy

for the development of a Roadmap in Ecuador, El Salvador, Cuba, Paraguay and Dominican Republic¹¹, a Circular Economy Driving Group established in 2021 as a multi-sectoral public-private initiative (driven by MIC and MADES), and a roadmap for the packaging sector.

The Circular Economy Programme (POC), created in the framework of the European Union's MiPYME COMPITE programme, in articulation with the IDB Lab through the Asunción Circular Programme, is one of the initiatives launched in 2022 to promote the circular economy as an economic approach that seeks to reduce waste generation and promote the reuse, recycling and regeneration of products and materials to maximise value and minimise environmental impacts. Despite the success of the programme, and the interest expressed by companies, only a limited number of projects have been funded. The design of products that facilitates reuse and recycling requires further support for development.

Elaboration and implementing a circular economy strategy, which include raising awareness on the benefits of the circular economy and its contribution to sustainability, as well as climate change mitigation and adaptation; expanding international cooperation with organisations and other countries to share knowledge and experiences in this area; and promoting better access to finance and technology are important challenges for Paraguay.

Analysis of Key Stakeholders

Government actors

There is a wide and varied group of actors that have an impact on the development of sustainable value chains and sustainable production in Paraguay.

Ministry of Industry and Trade (MIC)

The MIC is the institution whose mission is to promote public policies that underpin the sustainable development of the business sector by increasing its competitiveness. It is responsible for promoting industrial production by installing new establishments and improving existing ones; regulate, facilitate and promote the distribution and consumption of goods and services of domestic and foreign origin that are not regulated by special laws, and promote the growth of domestic and international trade. In order to achieve these objectives, it works in coordination with other official organisations, in adopting the most appropriate economic policy for the country, related to the sources of supply of goods and services, to the volume of current and projected demand for these goods and services, the trade of these goods, and the problems related to transport (See Law 904/63, Law 2961/06, Ministerial Resolution 1295/19).

The Ministry of Agriculture and Livestock (MAG)

The **MAG**, in accordance with the mandate conferred by Law No 81/92, leads the roles and responsibilities of the agricultural sector, contributing to the sustainable and competitive development of the country. It is the institution responsible for preparing, coordinating and protecting agricultural, forestry, agro-industrial and other productive activities, as well as promoting the modernisation of the sector and its industrialisation, in coordination with other ministries. The MAG also coordinates and implements the country's agricultural policy, through strategic actions, plans, programmes and projects, ensuring intra and inter-institutional participation, including of decentralised institutions, and public and private sectors participation.

To organise the management of agricultural and rural development, in accordance with the guidelines and policies defined by the National Government, the Decree No 169/2008 created the '**Integrated Management System for Agricultural and Rural Development (Sigest)**'. The Sigest is chaired by the MAG, assisted by the Viceministeries, and is composed of the following sectoral institutions and autarcaries:

- Instituto Nacional de Desarrollo Rural y de la Tierra (INDERT).
- Agricultural Enabling Credit (CAH).

11 Diagnóstico de la situación actual de la Economía Circular para el desarrollo de una Hoja de Ruta en Ecuador, El Salvador, Cuba, Paraguay y República Dominicana, DEUMAN, 2022.

- Livestock Fund (FG).
- Financial Agency for Development (AFD).
- National Cooperativism Institute (INCOOP).
- National Forestry Institute (INFONA).
- Secretariat for the Environment (SEAM, now MADES).
- National Plant and Seed Quality and Health Service (SENAVE).
- National Animal Quality and Health Service (SENACSA).
- Representative of the Departmental Governments.
- Representative of the municipal governments.
- National Development Bank (Banco Nacional de Fomento, BNF).

The National Forestry Institute (INFONA), established by Law No 3464/2008, as an autonomous and decentralised State institution, with legal personality and administrative autonomy, has as its general objective the administration, promotion and sustainable development of the country's forest resources, in terms of their defence, improvement, expansion and rational use. This is the authority implementing the National Forest Monitoring System and the Deforestation Early Warning System. INFONA's relations with the executive are maintained through the Ministry of Agriculture and Livestock.

The National Plant and Seed Quality and Health Service (SENAVE), established by Law No 2459/2004, has the task of supporting the State's agro-productive policy, contributing to increasing the levels of competitiveness, sustainability and equity of the agricultural sector, by improving the situation of productive resources with regard to their quality, health, genetic purity and prevention of human, animal, plant and environmental damage. It fulfils the role of the National Plant Protection Organisation and in this context is responsible for the country's phytosanitary management. SENAVE's relations with the executive are maintained through the Ministry of Agriculture and Livestock.

The National Animal Quality and Health Service (SENACSA), established by Law No 2.426/2004, as an autonomous and self-governing body, is the Official Veterinary Service of the Republic of Paraguay and, as such, the body responsible for drawing up, regulating, coordinating, implementing and auditing the national policy and management of quality and animal health. SENACSA's relations with the executive are maintained through the Ministry of Agriculture and Livestock.

The National Institute for Rural and Land Development (INDERT), established by Law No 2419/2004, is the institution responsible for promoting the integration of the rural population into the economic and social development of the Nation. The INDERT's relations with the executive are maintained through the Ministry of Agriculture and Livestock.

The Paraguay Institute of Agricultural Technology (IPTA), established by Law No 3788/2010, has the objectives of generating, managing, adapting, validating, disseminating and transferring agricultural technology, and of managing agricultural and forestry genetic resources. It is responsible for developing research programmes and technologies to increase the productivity of agricultural and forestry products in order to boost their competitiveness for the internal and international markets. The IPTA's relations with the executive are maintained through the Ministry of Agriculture and Livestock.

The Ministry of the Environment and Sustainable Development (MADES)

MADES is the Paraguay's environmental authority. It has the task and legal mandate to lead the design, establishment, monitoring, audit and evaluation of the National Environmental Policy, promoting research, restoration, conservation, preservation, protection, planning, management and use of natural resources. It works in close cooperation with public, private and civil society organisations to promote sustainable development, contributing to the present and future well-being of Paraguay's society.

The Paraguay Institute of Indigenous (INDI), established by Law 904/1981 and amended by Law No 919/1996, is the governing body responsible for ensuring compliance with the rights of indigenous peoples

and for coordinating, auditing and evaluating indigenous activities in the public and private sector. The INDI's relations with the executive must be maintained through the Ministry of Education and Science (EQF).

The **National Institute of Technology and Standardisation** (INTN) is the institution responsible for promoting and developing standardisation and metrology in Paraguay. The INTN establishes and supervises the technical standards that products and services must meet to ensure their quality and safety. It consists of 4 bodies: the National Standardisation Agency, the National Metrology Agency, the National Certification Body and the National Inspection Body.

The National Food and Nutrition Institute (INAN) is the institution in charge of ensuring the nutritional health of the population, promoting research and epidemiological surveillance systems; and strengthening the food production sector.

The National Quality System (SNS) was established by Law 1028 of 1997, subsequently amended and supplemented by Law 2279 of 2003. It consists of:

- a) The National Council for Science and Technology (CONACYT);
- b) The National Quality Commission;
- c) The National Organisation for Standardisation;
- d) The National Metrology Agency;
- e) The National Accreditation Body;
- f) The Notification and Information Office; and
- g) natural and legal persons carrying out activities linked to or related to quality.

In the above structure, the National Council for Science and Technology (CONACYT), in charge of science, technology, innovation and quality standards, policies and programmes, and the National Accreditation Body (ONA), responsible for directing and administering the National Accreditation System and granting accreditation at national level (currently not internationally recognised).

Non-state actors

The public sector works in articulation with organised private production groups that have a high level of technification and development, through guilds, cooperatives, production groups, sectoral tables, associations of municipalities, indigenous groups, cooperatives, farmers' associations and private landowners working at various scales to improve agricultural sustainability practices.

This group of actors has key responsibilities to promote the sustainability of value chains in areas such as traceability, sustainable production and the circular economy in Paraguay, among others. These actors include:

- Paraguay Rural Association (ARP)
- Federation of Production Cooperatives (FECOPROD)
- Union of Gremies of Production (UGP)
- Paraguay Chamber of Cereals and Olive Exporters and Traders (CAPECO)
- Paraguay Chamber of Oleseeds and Cereals Processors (CAPPRO)
- IDEAGRO Foundation, founded by three cooperatives: Fernheim, Chortiser and Neuland
- Paraguay Industrial Union (IPU)
- Paraguay Quality Association (APC)

Public/private platforms and civil society

The **National Climate Change Commission**, established by Law No 5875/2017, is a collegiate body of a deliberative and advisory nature on national climate change policy. Government representatives, civil sector organisations, the private sector and academia are part of the Commission.

The **Circular Economy Driving Group** is a multi-sectoral public-private initiative promoted by MIC and MADES. It is supported by two cooperation projects: MiPYME COMPITE, funded by the European Union and the Circular Economy project, co-financed by the IDB Lab. The platform aims to articulate various actions, public, private and cooperation projects that allow the consolidation and acceleration of the circular economy in Paraguay.

The soy and livestock chains established the **Sustainable Development Platform** and the **Paraguayan Roundtable for Sustainable Meat**, the latter is part of the Global Roundtable for Sustainable Livestock. These collegiate bodies bring together direct actors of the value chains, opinion leaders from the production sector, public institutions involved and supporting organisations.

The **Public-Private Alliance for Sustainable Finance**: It is the strategic multidisciplinary and interinstitutional coordination group formed to promote the development of sustainable finance. MADES, INFONA, Central Bank of Paraguay and the Sustainable Finance Roundtable are members of this alliance.

There are numerous non-governmental organisations (NGOs) active in the field of sustainable production, environment and climate change in Paraguay. These include the **Moisés Bertoni Foundation**, a leader in sustainable development and promoter of the circular economy driving group, the **Guyra Paraguay Association**, which works to defend and protect Paraguay's biological biodiversity, the **Institute of Environmental Law and Economics (IDEA)**, the **World Wildlife Fund (WWF)** and the **Wildlife Conservation Society (WCS)**.

Civil society actors in particular organisations working on the area of women's entrepreneurship and organisations for the rights of people with disability.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective** (Impact) of this action is to promote and strengthen the sustainability and competitiveness of Paraguay's agricultural, forestry and agro-industrial value chains. This will support the implementation of Paraguay's international commitments under the Paris Agreement, including its National Climate Adaptation Plan and its Nationally Determined Contributions through low-emission agriculture actions and actions to improve traceability.

The **Specific Objectives** (SO) of this action are the following:

1. To strengthen the quality infrastructure in Paraguay to encourage the adoption of circular economy practices and other sustainable practices.
2. To implement and strengthen socio-environmental traceability systems to support traceable and sustainable agricultural, forestry and agro-industrial exports.
3. To promote use of circular economy solutions in favour of the sustainability of Paraguayan agro-industry.

The **Outputs** to be delivered by this Action contributing to the Specific Objectives are:

- 1.1 The capacity of the institutions responsible for the promotion and regulation of quality in Paraguay is increased.
- 2.1 Socio-environmental traceability of sustainable agricultural, forestry and agro-industrial value chains is strengthened.
- 3.1 Paraguayan industrial capacity to grow circular economy enterprises is strengthened.
- 3.2 Institutions, businesses and consumers are sensitised about quality, circularity, traceability and sustainability in agricultural, forestry and agro-industrial value chain are sensitised.

3.2 Indicative Activities

Activities relating to Output 1.1: *The capacity of the institutions responsible for the promotion and regulation of quality in Paraguay is increased.*

Activity 1.1.1: Strengthen national regulatory and oversight bodies to promote the application and regulation of QI (quality improvement), circularity and sustainability in Paraguay.

Activity 1.1.2: Train technical staff of national regulatory and oversight bodies in concepts, methodologies and regulations, including those related to the circular economy and other sustainable practices.

Activity 1.1.3: Support the inter-institutional coordination mechanism and its expansion to promote collaboration and knowledge sharing.

Activity 1.1.4: Support the development, updating and implementation of technical regulations and standards for product certification, including low carbon circular economy products.

Activity 1.1.5: Establish labelling programmes that enable consumers to identify products manufactured under circular economy practices and other sustainable practices.

Activity 1.1.6: Achieve international accreditation of the National Accreditation Body (ONA) before the International Accreditation Forum (IAF) or the International Laboratory Accreditation Cooperation (ILAC).

Activities relating to Output 2.1: *The national system of socio-environmental traceability of sustainable agricultural, forestry and agro-industrial value chains is strengthened*

Activity 2.1.1: Strengthen and further develop national traceability systems in the agricultural, forestry and agro-industrial sectors.

Activity 2.1.2: Support voluntary socio-environmental traceability systems of value chains for deforestation-free agricultural, forestry and agro-industrial products.

Activity 2.1.3: Develop IT platforms to link official documents and traceability information and to interface with systems in transit or processing countries

Activity 2.1.4: Promote exports of traceable and sustainable products and dialogue with importers in export markets, particularly in the EU.

Activity 2.1.5: Strengthen the institutions and organisations involved in traceability system.

Activities relating to Output 3.1: *Paraguayan industrial capacity to accelerate circular economy enterprises is strengthened.*

Activity 3.1.1: Support intermediary business organisations to improve services in the areas of circular economy, quality and certification, technological development and innovation, national and international commercialisation, etc.

Activity 3.1.2: Conduct sectoral studies and diagnostics to identify opportunities for the implementation of circular economy practices as well as policies to support circular economy.

Activity 3.1.3: Establish research and technological development programmes focused on innovative circular solutions, facilitating collaboration between the business sector, academic institutions and research centres.

Activity 3.1.4: Provide financial support to innovative circular economy projects and support business incubation and acceleration.

Activity 3.1.5: Disseminate the experience and knowledge gained in the framework of the innovative projects supported.

Activity 3.1.6: Promote the participation of enterprises in certification and labelling scheme to be developed under the programme through incentives and recognition.

Activities relating to Output 3.2: *Institutions, businesses and consumers are sensitised to quality, circularity, traceability and sustainability in agro-industrial value chains.*

Activity 3.2.1: Raise awareness among public and private entities, of the importance and benefits of sustainability, quality, traceability and circularity.

Activity 3.2.2: Promote the principles of sustainability among intermediate and end-consumers and general public, contributing to the preference for quality, traceable, circular and sustainable goods and services.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside of a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Environmental Impact Assessment (EIA) results

The EIA (Environmental Impact Assessment) screening classified the action as Category C (no need for further assessment). However, the intervention funded on a case-by-case basis under the different Outcomes, especially Outcomes 2 and 3, may require an EIA.

Outcome of the climate risk assessment (CRA)

The climate risk assessment (CRA) concluded that this action is null or low risk (no need for further assessment). However, the intervention funded on a case-by-case basis under the different Outcomes, especially Outcome 3, may require an ERC or an ERC as part of an EIA.

Gender equality and empowerment of women and girls

The activities shall be carried out in a participatory manner and taking into account issues of equality and women's empowerment, in accordance with Paraguay legislation. Sex-disaggregated data shall be incorporated into all indicators. A strong focus will be put in place during the design of funding interventions under the different outcomes. The evaluations set out in section 5.2 of the programme will integrate an approach to equality and women's empowerment.

This Action is also aligned with the EU GAP III and its key 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".

Human Rights

The Action will apply a human rights-based approach. The work on sustainable and inclusive economic development is itself a cross-cutting activity, which at its core contains work that aligns with several prominent issues of global concern, including environmental protection, which is a right enshrined in the Constitution of the Republic of Paraguay.

Actions will also contribute to reducing inequalities (mainly based on gender, age and ethnicity) by providing new employment or livelihood opportunities. The rights of indigenous peoples will be taken into account by regularly consulting, through the competent authority (Instituto Nacional del Indígena – INDI), representatives of indigenous peoples on measures that may affect their rights, in order to respect the right to free, prior and informed consent, in accordance with the United Nations Declaration on the Rights of Indigenous Peoples¹² and Law No 1039/18 'Protocol for the Process of Free, Prior and Informed Consultation and Consent with Indigenous Peoples living in Paraguay'.

¹² https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf

This action is also aligned with the EU's Action Plan on Human Rights and Democracy 2020-2024.

Disability

According to the OECD disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disability is not a significant objective of this Action. However, the disability inclusion approach will be taken into account in the component of each action with the aim of generating solutions that contribute to and benefit persons with disabilities along with others. Accessibility to seminars, events, workshops and information for people with disabilities will also be promoted throughout the programme activities.

Democracy

A strong, pluralistic and participatory democracy is necessary for the strengthening of sustainable and inclusive ecosystems. The action will support public-private partnership and participation initiatives that will contribute to the definition of policy and strategies, in a participatory and inclusive manner.

Conflict sensitivity, peace and resilience

Sustainable and inclusive economies contribute to peaceful and stable societies, and reduce the potential for social unrest. This Action can help foster a better approach towards participatory and inclusive ecosystems that recognise diversity, human and environmental rights. This involves working with all relevant stakeholders and contributing to an enabling environment for sustainable development rather than competing interests that can be a source of conflict.

Disaster Risk Reduction

The development of a more sustainable and inclusive economy, combined with better use of primary resources, contributes to increasing the resilience of populations if they face crises or disasters.

Other considerations if relevant

N/A

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High / Medium / Low)	Impact (High / Medium / Low)	Mitigating measures
External	Smallholder farmers less able to access the systems developed than medium or large ones.	Low	Medium	Work through cooperatives and farmer organisations to be able to reach the smaller farmers
External	Insufficient budgets allocated to the national quality system's institutions and low decision-making independence.	Alto	Medium	The programme will continue to provide technical assistance to strengthen the capacities of the national quality system at different levels.
Planning, processes and systems	Limited institutional capacity to develop enabling norms and to structure sustainability actions for agricultural, forestry and agro-industrial value chains, such as the socio-environmental traceability system.	High	High	The project will promote public treacibility initiatives in articulation with the private sector.

External	Lack of or low interest of agro-industrial sector in implementing circular economy practices.	Low	Medium	Awareness raising campaigns on the importance and benefits of applying circularity and environmental sustainability will be implemented.
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Lessons Learnt:

The European Union has been supporting Paraguay in improving the competitiveness of the economy with a number of programmes for some years now, achieving several advances and facing some challenges. Among the main lessons learned, in particular from the experience in the projects “Promotion of Diversified and Sustainable Livestock Production”, “Support for the improvement of the competitiveness of MSMEs and the business climate in Paraguay” and “Al-Invest Verde”:

- It is necessary to support the articulation and coordination of public sector actors as well as the articulation and strengthening of the cooperation between public and private sector.
- It is necessary to support strategic alliances and partnerships to replicate good practices, with an approach that combines capacity building, knowledge exchange, identification of potential markets, creation of incentives and opportunities. It is necessary to involve actors who have already developed good practices and to foster alliances between producers, productive associations and industry.
- Technical assistance needs to be complemented with the provision of equipment and up-to-date information and communication technology.
- Support to the private sector (MSMEs) through grants is highly valued, in particular to finance innovative projects for which access to credit is very difficult. To have a national impact, private sector grants need to be administered by intermediate business organisations (guilds) with a country-wide reach. They have to cover several value chains and have the financial capacity to absorb and disburse the subsidies.
- The Paraguayan Industrial Union, thanks to its participation in MIPYME COMPITE, acquired the technical and administrative-financial capacities for the development of business innovation. These can be used in the framework of this action, particularly to create a circular economy innovation mechanism and the incubate and accelerate enterprises in this area.
- The study on environmental traceability of Paraguayan meat and leather, issued by AL-INVEST Verde, shows the need to develop socio-environmental traceability pilots with characteristics that have been taken into account in the programming of this action: responding to the new EU requirements for products associated with deforestation, the gratuity of the system, collaboration and inter-institutional agreements to feed the system with information on the legality of production and certification of non-deforestation, the simplification of administrative procedures for the producers and manufacturers and the provision of tags for the identification of production. Additionally, the AL-INVEST Verde project is finalising the design of a pilot project for the traceability of Paraguayan leather, that aims at repositioning Paraguayan leather in the international market.

3.5 The Intervention Logic

The intervention logic is to help consolidate Paraguay's integration into international trade dynamics by promoting and strengthening sustainability and competitiveness, as well as traceability of prioritised value chains, quality infrastructure and diversification and innovation of key sectors for the economy. The Action aims to contribute to sustainable productive and industrial innovation through the generation of aggregate value in the agricultural, forestry and agro-industrial sectors and the development of the circular economy in the country. This will make it possible to develop new trade links and strengthen existing ones.

On the one hand, actions are proposed to promote sustainable agricultural practices in the in key production value chains of the country's economy through activities to improve socio environmental traceability systems. On the other hand, the Action will promote the improvement of the sustainability and circularity of the agricultural, forestry and agro-industrial value chains by improving the use of resources and diversifying the export portfolio of these products.

The activities will support Paraguay in the implementation of its international commitments through sustainable practices and improving traceability. The proposed activities will contribute to preparing Paraguay's agricultural, forestry and agro-industrial products to meet international ambiental traceability requirements and to strengthen the community's resilience to climate change. Particular attention will be paid to private sector involvement and to agricultural, forestry and agro-industrial products.

The intervention logic combines tools such as training, capacity building, development of good practices with sustainability criteria, institutional strengthening for traceability and quality system, grant funding and technical assistance for the development of replicable pilots. The intervention focuses on incentives for the private sector and focuses on practical and operational actions to seek tangible results.

The activities will be accompanied by outreach activities, awareness raising and a communication strategy to ensure transparency and greater ownership.

The intervention has been formulated with the support of public institutions with responsibility in the sector such as, MIC, MADES, MAG, INFONA, and others to ensure that the programme is aligned with the objectives of the Natinal Development Plan 2030. The productive private sector has also played a key role in the design of the Action.

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.

Result	Results chain (@): Expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baseline (values and years)	Targets (values and years)	Data Sources	Assumptions
Impact	Promote and strengthen the sustainability and competitiveness of Paraguay's agricultural, forestry and agro-industrial value chains.	<ol style="list-style-type: none"> 1. Agro-industrial added value per capita USD 2. Value of agro-industrial exports 3. SDG 9.4.1 - CO2 emissions per unit of added value (kg/\$) 4. Index for Sustainable Development (QI4SDG) for Latin America and the Caribbean 	<ol style="list-style-type: none"> 1. to be determined in the inception phase (2024) 2. to be determined in the inception phase (2024) 3. 0.1815 (2020) 4. 1.1 18.65 (2022) 	<ol style="list-style-type: none"> 1. to be determined in the inception phase (2028) 2. to be determined in the inception phase (2028) 3. to be determined in the inception phase (2028) 4. to be determined in 	<ol style="list-style-type: none"> 1. National level statistics 2. National level statistics 3. Global SDG Indicators Database¹³ 4. UNIDO, QI4SDG index 	<i>Not applicable</i>

¹³ <https://unstats.un.org/sdgs/indicators/database/>

Result	Results chain (@): Expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baseline (values and years)	Targets (values and years)	Data Sources	Assumptions
				the inception fase (2028)		
Outcome 1	Strengthened national quality infrastructure system in Paraguay to encourage the adoption of circular economy practices and other sustainable practices	1.1. Proportion of agricultural and forest production covered by systems developed with support of the programme 1.2 Number of self-sustaining circular economy practices 1.3 Status of International accreditation of the National Accreditation body	1.1 0 (2024) 1.2 no labelling for products of circular economy (2024) 1.3 accreditation process not started (2024)	1.1 to be determined in the inception fase (2028) 1.2 to be determined in the inception fase (2028) 1.3 accredited (2028)	1.1 Text of laws and regulations 1.2 National data and progress report for EU funded intervention 1.3 IAF or ILA	Sufficient budget allocation for institutions responsible for quality promotion and regulation.
Outcome 2	Socio-environmental traceability systems to support traceable and sustainable agricultural, forestry and agro-industrial exports exports are implemented and strengthened.	2.1 Geographical area of production with socio-environmental traceability (including the deforestation criterion). 2.2. Value of exports of deforestation-free livestock products traceable to the EU. 2.3. Value of exports of agricultural products with socio-environmental due diligence.	2.1 1.510 ha ¹⁴ (2021) 2.2 USD (0,00/2024) 2.3 USD (0,00/2024)	2.1 to be determined in the inception fase (2028) 2.2 USD to be determined in the inception fase (2028) 2.3 USD to be determined in the inception fase (2028)	2.1 INFONA/MADES 2.2 – 2.3 National level Statistics / ESTAT Statistics	Cooperation between the government and private sector in the developing and implementation of treacibility system.
Outcome 3	Circular economy solutions in favor of the sustainability of Paraguayan agro-industry are generated	3.1 # circular economy solutions developed for the sustainability and inclusiveness of the Paraguayan agro-industry with EU support	3.1 to be determined in the inception fase (2024) 3.2 to be determined in the inception fase (2024)	3.1 to be determined in the inception fase (2028) 3.2 to be determined in the inception fase (2028)	3.2 Progress reports for the EU funded intervention / Database of beneficiaries/participants	Economic actors and government institutions promote circular economy principles and produces are convinced of its market opportunities. Intermediaries, including financial institutions, are willing and interested to support

¹⁴ Corresponding to organic soy

Result	Results chain (@): Expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baseline (values and years)	Targets (values and years)	Data Sources	Assumptions
		3.2 # of companies/SMEs applying circular economy solutions				producers in exploring/supporting new business opportunities
Output 1 Related to Outcome 1	The capacity of the institutions responsible for the promotion and regulation of quality in Paraguay is increased.	1.1.1 # of accredited test initiated with the support of the EU 1.1.2 Status of inter-institutional co-operation mechanism supported by the EU funded intervention 1.1.3 # of products certified with support of the EU	1.1.1 3 ¹⁵ (2024) 1.1.2 to be determined in the inception phase (2024) 1.1.3 86 ¹⁶ (2024)	1.1.1 to be determined in the inception phase (2028) 1.1.2 inter-institutional co-operation mechanism operational (2028) 1.1.3 to be determined in the inception phase (2028)	1.1.1 - 1.1.3 Progress reports for the EU funded intervention / Database of beneficiaries/participants	Sufficient budget and staff allocation for institutions responsible for quality promotion and regulation. Participation of the technical team in trainings and activities. Certifications are accessible and relevant for the private sector.
Output 1 Related to Outcome 2	Socio-environmental traceability of sustainable agricultural, forestry and agro-industrial value chains is strengthened.	2.1.1 # of agricultural products with access to socio-environmental traceability systems and export markets 2.1.2 Number of small holders reached with EU supported intervention aimed at increase their sustainable production, access to market and/or security of land (GERF 2.1)** 2.1.3 Areas of agriculture and pastoral ecosystem where sustainable management practice have been introduced	2.1.1 to be determined in the inception phase (2024) 2.1.2 66% (2024) 2.1.3 1 ¹⁷ (2024) 2.1.4 0 (2024)	2.1.1 to be determined in the inception phase (2028) 2.1.2 to be determined in the inception phase (2028) 2.1.3 to be determined in the inception phase (2028) 2.1.4 to be determined in the	2.1.1 MADES/MIC/ INFONA/ Progress reports for the EU funded intervention 2.1.2 MAG/SENAVE/ MIC / Progress reports for the EU funded intervention 2.1.3 Progress reports for the EU funded intervention / Database of beneficiaries/participants 2.1.4 Progress reports for the EU funded intervention /Agricultural production associations	Sufficient budget allocation for institutions responsible for the mapping and monitoring of land use. Interinstitutional cooperation and sharing of data among the institution responsible for traceability. Producers are convinced of “green” market opportunities and ready to adapt their production methods

¹⁵ Agrochemicals: Emamectin, Fertilizers: Nitrogen, Soils: PH en Cetapar (MIPYME COMPITE)

¹⁶ In Registro Sanitario de Producto Alimenticio (RSPA)

¹⁷ Sugar Fairtrade certified

Result	Results chain (@): Expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baseline (values and years)	Targets (values and years)	Data Sources	Assumptions
		with EU support (GERF 2.2)**		inception fase (2028)		
Output 1 Related to Outcome 3	Paraguayan industrial capacity to grow circular economy enterprises is strengthened	3.1.1 # of new services offered by support business intermediary organisations (BIO) in the area of circular economy 3.1.2 # of business solutions developed in collaboration with academia and research centres with EU support 3.1.3 # of companies/SMEs applying sustainable consumption and production practices with EU support (GERF 2.6) * **	3.1.1 0 (2024) 3.1.2 0 (2024) 3.1.3 180 ¹⁸ (2024)	3.1.1 to be determined in the inception phase (2028) 3.1.2 to be determined in the inception phase (2028) 3.1.3 to be determined in ghe inception phase (2028)	3.1.1 BIOs reports 3.1.2-3.1.3 Progress reports for the EU funded intervention / Database of beneficiaries/participants	BIOs and companies are convinced of circular economy products market opportunities and ready to adapt their production methods Academia and research centers are willing to collaborate with the private sector.
Output 2 Related to Outcome 3	Institutions, businesses and consumers about quality, circularity, traceability and sustainability in in agricultural, forestry and agro-industrial value chain are sensitised.	3.2.1 # of stakeholders from the agro industrial value chains trained by the EU fundend intervention with increased knowledge and/or skills in quality and sustainability. 3.2.2 # of consumer preferring utilising circularly and environmentally friendly goods and services	3.2.1 0 (2024) 3.2.2 to be determined in the inception phase (2024)	3.2.1 to be determined in the inception phase (2028) 3.2.2 to be determined in the inception phase (2028)	3.2.1 Progress reports for the EU funded intervention / Pre and post training report 3.2.2 Baseline and endline survey conducted and budgeted by the EU funded intervention	The majority of social and economic actors and government institutions promote the programme-supported cultural and economical change and sustain this promotion over time

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to sign a Financing Agreement between the EU and Paraguay.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the Financing Agreement.

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 measures¹⁹.

4.3.1 Direct Management (Grants)

4.3.1.1 Direct Management (Grants) - Specific Objective 2

Grants: (direct management)

(a) Purpose of the grant(s)

The objective of the grant is to involve the representative Paraguayan agroindustrial producers associations in the implementation of Specific Objective 2 ("To implement and strengthen socio-environmental traceability systems to support traceable and sustainable agricultural, forestry and agro-industrial exports") to increase the impact and sustainability of the proposed activities. Activities to be covered: 2.1.2, 2.1.4 and 2.1.5.

(b) Type of applicants targeted

The target organisation for this activity will be a recognised agroindustrial production association (guild) or foundation, established in Paraguay, with territorial coverage in most of the country, recognised by the private sector as a legitimate representative in the national roundtables and by the government as a legitimate representative of the sector's interests. The applicant will have specific experience in socio-environmental traceability programs and systems in Paraguay and in collaborations with competent institutions in the development and implementation of these systems.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to a lead applicant and co-beneficiaries in accordance with Article 195 of the Financial Regulation, case f: for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on condition that the activities concerned do not fall within the scope of a call for proposals".

¹⁹ 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.

This is due to the need to delegate partial implementation of SO2 to a body which (a) is an agriculture and livestock producer association/foundation, (b) has national scope, (c) has strong technical, financial and administrative capacity, (d) enjoys legitimacy in the multi-stakeholder dialogue and (e) has a position and the resources, both financial and human, to allow the sustainability of the activities after the end of the EU grant funding.

The technical competence sought consists of experience and partnership with public institutions in the implementation of traceability systems. The organisation has to be in a leading position to promote sustainable production practices.

4.3.1.2 Direct Management (Grants) - Specific Objective 3

Grants: (direct management)

(a) Purpose of the grant(s)

The objective of the grant is to involve the most representative Paraguayan business intermediary organisations in the implementation of Specific Objective 3 (“Generate circular economy solutions in favour of the sustainability of Paraguayan agro-industry”) in order to increase the impact and sustainability of the proposed actions. Activities to be covered: 3.1.3, 3.1.4, 3.1.5 and 3.1.6

(b) Type of applicants targeted

The target organisation for this activity will be a recognised private sector intermediary business organisation (guild), established in Paraguay, with good territorial coverage, recognised by the industrial sectors as a legitimate representative in the national roundtables and by the government as a legitimate representative of the interests of the industry. The applicant will have specific experience in industrial development programs, collaboration with universities and innovation laboratories, promotion of circular economy actions in the country.

(c) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to a lead applicant and co-beneficiaries, in accordance with Article 195 of the Financial Regulation, case f, for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on condition that the activities concerned do not fall within the scope of a call for proposals”.

This is due to the need to delegate the partial implementation of SO3 to a body which (a) is an business intermediary organisation of the private sector with a high level of representativeness for the industrial sector, (b) has a national scope, (c) has strong technical, financial and administrative capacity, (d) enjoys legitimacy in the multi-stakeholder dialogue and (e) has the position and resources, both financial and human, to enable the sustainability of the activities after the end of the EU grant funding.

The technical competence sought is the capacity to provide business support services in the areas of sustainability, quality, certification, traceability, circularity, research and internationalisation. The organisation has to be in a leading position to promote sustainable production practices and circular economy in the country.

4.3.2 Direct Management (Prize(s))

N/A

4.3.3 Direct Management (Procurement)

N/A

4.3.4 Indirect Management with an entrusted entity

4.3.4.1 Indirect management with an entrusted entity – Specific Objective 2

Activities 2.1.1 to 2.1.6 under Specific Objective 2 will be implemented under indirect management with a entity, which will be selected by the Commission’s services using the following criteria: technical competence in regional and local interventions addressing sustainable production, traceability and promotion of public-private partnerships, facility to identify and recruit experts, including from the public sector for exchange and peer learning; strong administrative and financial capacity.

The implementation by this entity involves the promotion of traceability systems, to support exports of traceable and sustainable Paraguayan agricultural, forestry y agroindustrial products, and the development of sustainable production capacities through technical assistance, training, exchange of best practices, digitalisation and supply.

The entrusted entity will carry out the following indicative budget implementation tasks: award and administration of procurement contracts (services and/or supplies and/or works).

4.3.4.2 Indirect management with an entrusted entity - Specific Objectives 1 and 3

Activities 1.1.1 to 1.1.6 and activities 3.1.1 to 3.1.5 and 3.2.1 - 3.2.2 under Specific Objective 1 and 3 will be implemented in indirect management with an entity, which will be selected by the Commission’s services using the following criteria: expertise in regional and local interventions addressing sustainable industrial production, quality infrastructure, promotion of circular economy practices, improvement of production quality, technological development, product certification processes. The entity should have experience in strengthening quality policy and national systems, promoting public-private partnerships, facility to identify and recruit experts, including from the public sector for peer-to-peer exchange and learning, strong administrative and financial capacity.

The implementation by this entity involves the promotion of advanced business development services supporting enterprises and private sector business intermediary organisation in quality and sustainability improvement, promotion of circular economy practices, research and technological development programme, circular economy oriented value chain development, product certification process.

The entrusted entity will carry out the following indicative budget implementation tasks: awarding and administration of procurement contracts (services and/or supplies and/or works).

4.3.5 Indirect Management with the Partner Country

N/A

4.3.6 Contribution to <name of the relevant Regional Investment Platform>

N/A

4.3.7 EFSD+ operations covered by budgetary guarantees

N/A

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

In case of exceptional circumstances, were it is not possible to continue the implementation through indirect management, the Commission will implement the action in direct management mode, through procurement (technical assistance to public institutions).

If negotiations with the recipient organisations to implement the grant awarded directly fail, cannot be implemented due to circumstances beyond the Commission’s control, the activities may be

implemented under modality indirect management with an entrusted entity according to the criteria presented under 4.3.4.

4.3.9 Other actions or expenditure

N/A

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 term of origin of supplies purchased, as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

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

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Objective 1: Strengthen the quality infrastructure in Paraguay to foster the adoption of circular economy practices in the productive sectors and promote sustainable development. composed of:	2,500,000	N/A
Indirect management with a pillar-assessed entity - <i>see section 4.3.4</i>	2,500,000	N/A
Objective 2: Implement socio-environmental traceability systems to support Paraguayan exports of traceable, sustainable and deforestation-free Paraguayan livestock and agricultural products. composed of:	3,500,000	N/A
Indirect management with a pillar rated entity - <i>see section 4.3.4</i>	3,000,000	
Grant (direct management) - <i>see section 4.3.1.1</i>	500,000	50,000
Objective 3: Generate circular economy solutions for the sustainability of Paraguayan agro-industry. composed of:	3,000,000	
Indirect management with a pillar-assessed entity - <i>see section 4.3.4</i>	1,500,000	N/A
Grant (direct management) - <i>see section 4.3.1</i>	1,500,000	150,000
Grant - total envelope under section 4.3.1	2.000.000	200.000
Evaluation – <i>cf. section 5.2</i>	350,000	
Audit – <i>cf. section 5.3</i>		

Contingencies	650,000	N/A
Totals	10,000,000	200,000
	10,200,000	

4.6. Organisational Set-up and Responsibilities

The Action will be overseen by a Steering Committee in charge of strategic guidance to ensure the achievement of the expected results. It will be led jointly by the Ministry of Industry and Trade and the Ministry of Agriculture and Livestock. It will comprise the following members:

The Minister of Industry and Trade or a duly designated representative, who will chair the Committee;

The Minister of Agriculture and Livestock or a representative;

The Head of the Delegation of the European Union in Paraguay or a representative;

The Minister of Environment and Sustainable Development or a representative;

The representative of the grantee business organisation ;

The representative of the grantee producers' association;

The representatives of the two entrusted entities;

The Steering Committee should meet at least twice a year and provide overall guidance, coherent guidelines and coordination with other institutions, as well as ensure that follow-up actions are carried out with relevant stakeholders. Representatives of other public or private institutions and other stakeholders, as appropriate, may attend specific sessions of the Steering Committee, depending on the theme of the sessions. The Steering Committee shall adopt its own rules of procedure. It can convene the institutions that constitute the system of the Ministry of Agriculture and Livestock in line with their mandates.

A technical committee of the programme will be established to coordinate, supervise and support the implementation challenges for the promotion and strengthening of sustainable agricultural, forestry and agro-industrial value chains. The Technical Committee should aim to meet at least once every three months. If deemed necessary, additional working groups may be established.

As part of its budgetary implementation prerogative and in order to safeguard the financial interests of the European Union, representatives of the European Commission may participate in the organisational structures established for this programme.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent and unified internal, technical and financial monitoring system for the Action and draw up regular (at least annual) progress reports and a final report. Every report shall give an accurate account of the 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.

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

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

5.2 Evaluation

Having regard to the nature of the action, mid-term and final evaluations may be carried out for this action or its components via independent consultants contracted by the Commission.

In case a mid-term evaluation is envisaged, it will be carried out for problem solving and learning purposes with a gender responsive approach, in particular with regard to assessing the continued relevance and progress made towards achieving the planned objectives, providing an opportunity to introduce modifications to ensure the achievement of the objectives and, in the event that a second phase of the action is envisaged.

In case a final or ex-post evaluation is envisaged, it will be carried out for accountability and learning purposes, analysing the program's outcomes and impact achievements and formulating recommendations on lessons learned.

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 cooperate effectively and efficiently with the evaluation experts and, inter alia, provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

Evaluation services may be contracted out under a framework contract.

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 EU Programming Cycle adopted a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 document “Communicating and Raising EU Visibility: Guidance for External Actions“, it is a contractual obligation for all entities implementing EU-funded external actions to inform relevant audiences of the EU's support for their work by displaying the EU emblem and a short funding statement, as appropriate, in all communication materials related to the actions in question. This obligation will continue to apply regardless of whether the actions in question are implemented by the Commission, partner countries, service providers, grant beneficiaries, or commissioned or delegated entities such as UN agencies, international financial institutions, and EU Member State agencies.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure

action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

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

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

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

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

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

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

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

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