

EN



EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION - DIRECTORATE GENERAL
FOR DEVELOPMENT AND COOPERATION -
EUROPEAID

DEVELOPMENT COOPERATION INSTRUMENT (DCI) 2014-2020

MULTIANNUAL INDICATIVE REGIONAL PROGRAMME FOR LATIN AMERICA

Development Cooperation Instrument 2014-2020

Multiannual indicative programme for Latin America

INTRODUCTION

The **EU's partnership with Latin America** is founded on close historical and cultural ties; extensive people-to-people exchanges; strong and growing trade and investment flows; and a deep bedrock of shared values and aspirations (commitment to democracy, human rights and rule of law; pursuit of social cohesion and sustainable development). Over the years, the two sides have progressively built up a broad-based relationship of equals, founded on mutual respect and open dialogue. A bi-regional Strategic Partnership, culminating in periodic Summits, was established in 1999¹. The EU has concluded an extensive web of association and other agreements with individual Latin American countries and regional groupings.

EU development cooperation instruments have been - alongside political engagement, trade and investment, and sectoral dialogues - a **crucial building block of this relationship** over the years. During the period 2002-2013, the EU has committed over EUR 4 billion for programmable development cooperation in Latin America, accompanying and supporting the region's own successful development efforts. This has also helped to underpin closer cooperation in many areas (e.g. social cohesion, education, environment and climate change, trade and small and medium enterprises, migration) and given substance to the wider policy agenda jointly pursued by the two sides. It has taken place both through bilateral programmes with individual countries, tailored to their national development agenda, and also through regional programmes pursued at continental level.

Over this time, **Latin America as a region has changed substantially**, notably making important progress in its development efforts. Since 2002, poverty and extreme poverty have steadily declined in both relative and absolute terms lifting 60 million out of poverty (out of a total population of 580 million); the middle-classes are rapidly growing and many countries have now achieved Upper Middle Income Country (UMIC) status. This creates an historic opportunity for the continent to eradicate poverty, in particular extreme poverty, poverty pockets and to address the feminisation of poverty. This will require a comprehensive and multidimensional approach.

The EU will cooperate in support of the region's efforts in line with the European Consensus for Development, the Development Cooperation Instrument (DCI) regulation and the EU's Agenda for Change to eliminate poverty by fostering sustainable and inclusive growth in a context of respect for human rights, the rule of law democracy and other key elements of good governance. The Agenda for Change also foresees that **EU's development cooperation with Latin America should be adapted to reflect new realities in the region**. With many countries having achieved UMIC status, aggregate EU **bilateral cooperation** programmes (i.e. those pursued at national level) with Latin America will diminish in relative importance for the next programming period 2014-2020. Bilateral cooperation will of course remain significant in relation to those countries where the development challenges are greatest and where it could have greatest impact.

Conversely, the EU's **regional programmes for Latin America will remain and be consolidated**. These are the focus of this multiannual indicative programme encompassing two components. A first component focuses on the initiatives to be carried out at continental level, which are open to all developing countries in the region, including those graduated from the

¹ The VII EU-Latin America and Caribbean (EU-LAC) Summit (1st EU-CELAC Summit) took place in Santiago, Chile, in January 2013. CELAC is the Community of Latin American and Caribbean States, commonly known by its Spanish-language acronym, CELAC, launched in 2011.

bilateral geographic envelope under the DCI. A second component is aimed to support Central America's efforts to addressing key developmental challenges at sub-regional level.

The present Multiannual indicative programme for Latin America is established in accordance with the DCI Regulation for 2014-2020² and based on the EU-CELAC Strategic Partnership and Action Plan.

It comprises the following two components:

- COMPONENT 1: Multiannual indicative programme for continental activities with Latin America;
- COMPONENT 2: Multiannual indicative programme for sub-regional cooperation with Central America.

In accordance with the DCI Regulation, the Latin American eligible countries for Component 1 are the following:

- Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

Eligible Latin American countries for the Component 2 are the following:

- Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Wherever relevant, the other participating States of CARIFORUM³ will be considered for eligibility on a case by case basis for actions falling under the continental component of the Latin America regional programme in accordance with Article 16 of the DCI Regulation. Collaboration between Latin American and the EU's Outermost Regions will be also considered on the basis of Article 10 (7) of the DCI Regulation⁴.

The overall global indicative financial allocation of the Regional Programme for Latin America is EUR 925 million for the period 2014-2020:

- EUR 805 million for Component 1⁵
- EUR 120 million for Component 2.

A sector breakdown of the financial allocation is specified in each Component of the programme.

² Regulation (EU) no 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020.

³ Forum of the Caribbean Group of African, Caribbean and Pacific (ACP) States (CARIFORUM). It includes sixteen countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Suriname, Saint Lucia, St. Christopher and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

⁴ The importance of strengthening the regional integration of all Outermost Regions in their respective geographical areas as a key aspect of the EU strategy in these regions for their development is underlined in the Communication (COM (2012) 287).

⁵ Including a contribution of EUR 163 million to the Erasmus+ programme for 2014-2020.

I. CONTINENTAL PROGRAMME

(Indicative budget EUR 805 million for 2014-2020)

I.1 Political and economic context in Latin America at continental level. Progress achieved and continuing challenges

Over recent years, the countries of Latin America have collectively enjoyed **strong economic growth and macro-economic stability**. Economic progress, in large part due to exports of natural resources from a region rich in biodiversity, has translated into a higher profile and **rising influence on global economic issues and in multilateral negotiations** e.g. on climate change and sustainable development. Taken as a whole the region has continued its progress in consolidating human rights and democracy.

Yet **considerable challenges remain** and the development gains of many Latin American countries are fragile:

- Despite improvement in some countries, **the region remains the most unequal in the world**. Poverty and income distribution trends as well as citizen perceptions of inequality indicate the need to promote **more sustainable and equitable growth** across the region and ask for greater efforts to ensure **higher levels of social cohesion**⁶.
- **Crime rates** are among the highest in the world. State institutions responsible for ensuring the key public goods of security, justice and rule of law are confronted in many countries with powerful and well-resourced **organised crime** interests (engaged in the **drugs** trade and other forms of **trafficking**), as well as high levels of regular crime. Porous borders are another serious issue. Insecurity in much of the region has important human, social and economic costs, and diminishes **citizen trust in State institutions**, thereby weakening the social contract which is essential for development to succeed.
- Economic growth in Latin America has been heavily based on external demand for natural resources and commodities. A number of **structural weaknesses may impede higher, more inclusive economic growth** in the coming years. These include lack of diversification, need for more sustainable use of natural resources, difficult access to innovation, limited job creation, bottlenecks as regards systems for skills and training, and the lack of competitiveness and informality affecting many Micro, Small and Medium-Sized Enterprises (MSMEs) in the region, and the need for open markets and an investment-conducive environment.
- To create opportunities for youth, address gender issues, increase the offer of quality jobs and promote decent work are of particular relevance to ensure greater social inclusion in the continent. Moreover, to strengthen territorial integration by reducing socio-economic disparities between the urban, rural and the more remote areas is also a key challenge.
- Reconciling environmental sustainability with economic growth is a major challenge in Latin America. The region is **highly vulnerable to climate change and to natural disasters** due to its geography, distribution of population and infrastructure, as well as to economic reliance on fragile natural resources. While one of the major assets for the

⁶ Despite the reduction in the average Gini index during in recent years (from 0.54 a decade ago to 0.5 in 2012) Latin America is still an extremely unequal region compared to, for instance, OECD countries where the average Gini index is 0.32. In fact, 167 million people still live in poverty in the region, 66 million of them being in extreme poverty or indigence.

region is its enormous variety of ecosystems and high level of biodiversity, its environment is being heavily affected by issues such as biodiversity loss, deforestation, land degradation, water pollution, with direct consequences particularly for the poorest segments of the society. These challenges are exacerbated by unplanned growth of **urban areas** (currently home to 80% of the region's population), inequality, and the particularly high vulnerability to climate change and environmental degradation of **rural areas** (where a third of the poor population of the continent lives). At the same time, Latin America offers many opportunities for low-emission, climate resilient and environmentally sustainable investment, for example in the areas of renewable energy and energy efficiency.

- Latin America is also seeking to step up efforts on **governance, because it is essential to restore the confidence of citizens in state institutions**, on promotion and protection of **human rights, gender issues and opportunities for young people**). There is a mounting demand for quality democracy and for more accountable institutions with better capacity to represent and deliver within a rules-based constitutional framework.
- None of the above challenges can be properly addressed without sufficient public resources. Efforts to improve service delivery capacity and drive forward structural reforms in the region are hindered by the low proportion of GDP taken as tax, with an average tax burden for the region around below 18%. Furthermore, tax systems are very regressive with a high reliance on indirect taxes, low taxes on personal income and a narrow tax base. Citizens' trust in the quality of public services is generally low. Latin American countries are in a process of modernisation to meet growing demands by their citizens to deliver more and better services. Achieving greater **fiscal equity**, and strengthening the capacity and efficiency of the public administration, in terms of both tax revenue and expenditure, including the necessary reforms of public finance management systems, is crucial to tackle inequality, to increase levels of social cohesion and to respond to growing social demand for quality public services. There is also a growing demand for increased citizen participation in monitoring public planning and expenditure, especially at local level.

I.2 The EU regional cooperation response and added-value

In the face of these challenges, the EU should aim through its regional programmes for Latin America at supporting national and bilateral development efforts by working in the following **priority areas**:

- **The security-development nexus**
- **Good governance, accountability and social equity**
- **Inclusive and sustainable growth for human development**
- **Environmental sustainability and climate change**

Supporting **Higher Education** (HE) in Latin America is also a long-standing objective of the EU-LAC bi-regional partnership to provide the region with the knowledge and skills for addressing continued developmental needs in the region. Cooperation under this strand will be fully integrated into the Erasmus+ programme for 2014-2020.

An important common thread running through these proposed priorities is support for the promotion of **Social cohesion**. This is a concept to which all the region's governments from across the political spectrum, as well as most sectors of civil society, are highly attached. It has been a leitmotif of the EU's bi-regional relationship with Latin America endorsed at the highest

political level, since the 3rd EU-LAC summit, held in Guadalajara, Mexico, in May 2004. Social cohesion will be addressed in all priority areas in an integrated way and specific social-cohesion targets will be defined during the implementation phase.

These responses to Latin America's continued development challenges would be in line with the European Consensus for Development and with the priorities identified by the DCI regulation. The **Agenda for Change** also identifies the promotion of sustainable and inclusive growth - and of human rights, democracy and other key elements of good governance - as the main priorities of future EU Development policy.

The **continental nature of the challenges** faced, and of the responses required, is widely recognised in the region. This is also reflected in the EU-LAC dialogue at the highest political level (as illustrated in outcomes of the EU-CELAC⁷ Summit, January 2013). This expression of **ownership and political will on the part of all the countries of the region** is an asset for the purposes of implementing EU cooperation responses at continental level.

Continental-level cooperation and integration initiatives under this programme will **complement national and sub-regional efforts**⁸ to tackle these challenges effectively and sustainably with the ultimate goal to eradicate poverty. To this end, they could assist in promoting international standards and good practices. They could also serve to foster continent-wide mechanisms for cooperation and dialogue.

Evaluations of **current (2007-13) continental programmes** in Latin America⁹ have consistently shown their value, particularly in terms of improving capacities of local counterparts, access to services, evidence-based changes in policies and regulations. Programmes have also earned credibility with political and social leaders, with scaling-up of results achieved and strong links with continuity plans by partner governments. Current regional programmes have focused to an important extent on knowledge-transfer and peer learning (between the EU and Latin American countries; but also among Latin American countries). Such an approach is relevant for **addressing the different development needs of all countries in the region, in particular poverty reduction**. It allows ample scope for **South-South cooperation**, and for fostering regionally-owned solutions to regional challenges.

The EU should **build on this experience**, in light of the **new regional context and policy framework**.

Future regional cooperation should focus on actions for which a **regional approach** to the design and delivery of EU cooperation **clearly demonstrates added value** (e.g. challenges common to several or all countries in the region, and/or relating to cross-border phenomena, in order to foster shared solutions and ownership on the part of the countries of the region working closely in a common solution oriented approach). Another aspect of this added-value is directly or indirectly contributing to the strengthening of regional integration (and also of regional cooperation in a broader sense). In many respects, the challenges described above – which are key for the achievement of the development assistance goals of the Agenda for Change and coherent with overall EU policies – are indeed most effectively addressed at

⁷ The EU's 7th bi-regional summit with Latin America and the Caribbean, held in Chile in January 2013, was the first at which the LAC countries were grouped under the CELAC banner.

⁸ Inter alia programmes implemented by Central American Integration System (SICA in Spanish).

⁹ EU-LA regional cooperation during 2007-13 encompassed a large varieties of sectors including social cohesion (EUROSociAL), climate change (EuroCLIMA), small and medium-size enterprises promotion and private sector development (AL-INVEST IV), higher education (ALFA III and ALBAN), support to local authorities (URB-AL), information society (@lis), investments (LAIF), water management (RALCEA), migration ("targeted project"), drugs policies (COPOLAD). Some of these initiatives are the continuation of previous EC programmes aiming to develop relations between actors of the two regions, including the civil society.

regional level. **Regional programmes should therefore continue to play a significant role** in the overall EU relations with Latin America over the 2014-2020 period.

The EU's future regional cooperation in Latin America should also take into account the **existing agreements**, whether Association Agreements, Free Trade Agreements (FTAs) or other signed or under negotiation with groups of countries in the region. Regional programmes need to be tools to strengthen the capacity of the region to implement, and benefit from, these agreements, and to support ongoing negotiations. Similarly, other EU political commitments with the region also need to continue to be duly taken into account, in particular those stemming from **the EU-LAC Summit process**. The Declaration and Action Plan adopted in this framework constitute a jointly agreed strategy between the two sides.

Although EU cooperation with Latin America and the Caribbean is governed by two separate legal frameworks and therefore programmed separately, the EU's interlocutor for the region-to-region dialogue is Latin America and the Caribbean together. This reflects **the strong geographical, economic, political and cultural ties existing between Latin America and the Caribbean**.

I.3 EU support per sector

3.1 Security - development nexus – Indicative allocation EUR 70 million

General objective:

To reinforce the capacity of states to effectively ensure security conditions conducive for inclusive development.

Specific objectives:

Support the capacity of states and communities to:

- Deliver effective and accountable security and justice services to their citizens, strengthening the rule of law, including through support to reforms in the justice and security sector and to crime prevention policies;
- Develop integrated, balanced and human rights-based national drug policies covering both drug demand and supply reduction efforts –in line with the principle of coresponsability; and,
- Promote sound migration management through facilitation of labour migration, strengthening migrants' rights, control of irregular migration and promotion of the positive linkages between migration and development.

Lines of action:

- Support for regional reform efforts, mutual learning and regional benchmarking in the field of integrated and Justice and Security-Sector Reform (JSSR), respecting human rights principles.
- Support for regional reform efforts, mutual learning and regional benchmarking in the field of drugs policies, particularly with respect to their coherence, balance and impact, including statistical information on crime and criminal justice .
- Support for regional reform efforts, mutual learning and regional coordination and cooperation in the field of migration and border management.

Expected results:

Public security and fight against organised crime:

- Improved legal framework and service delivery capacity of the criminal justice system and police.
- Increased capacity to monitor crime trends and to formulate balanced and evidence-based national security strategies.
- Reduced impact of illicit trafficking, money laundering, corruption and other organised crime activities.

Drugs:

- Increased capacity to monitor drug issues, and to formulate integrated, balanced and evidence-based drug policies at national levels;
- Reduced drug production, reduced demand and harm of drugs and reduced levels of drug trafficking; strengthened action against illicit financial flows and money laundering deriving from drug trafficking, increased control of precursors, enhanced police cooperation and overall law enforcement institutional strengthening¹⁰. Strengthened EU-CELAC Coordination and Cooperation Mechanism on drugs.

Improved management of migration and borders

- Increased knowledge and capacities to monitor migration flows, to manage labour migration while ensuring improved protection of migrants' rights, as well as to formulate balanced and evidence-based migration policies at national level;
- Increased knowledge and capacities to reduce flows and negative impact of irregular migration and trafficking in human beings and increased positive effects between migration, mobility and development; and,
- Increased knowledge and capacities to formulate and implement policies in the area of integrated border management, particular to reduce illicit activities.

Cross-cutting issues:

- Human rights protection, in particular of vulnerable populations, and enhanced adherence to relevant international mechanisms.
- Gender equality and elimination of gender-related violence.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in the annex.

3.2 Good governance, accountability and social equity - Indicative allocation EUR 42 million.

General objective:

Reinforce the accountability and capacity of institutions and public administrations to provide high quality public services.

Specific objectives:

- To support fiscal and public finance management reforms and their implementation as a basis for the state to provide high quality public services for social equity.
- To improve the capacity of public administrations to provide public services in a transparent and accountable manner, including in border and peripheral regions.

¹⁰ Through continuation of existing Cocaine Route components PRELAC, GAFISUD and AMERIPOL currently financed under the Instrument contributing to Stability and Peace for 2007-13.

- To strengthen the legitimacy, transparency and accountability of democratic institutions.

Lines of action:

- Support for regional reform efforts, peer learning in the field of fiscal equity and management of public finances, in particular revenue collection (i.e. identifying key drivers of reform to achieve efficient, equitable and transparent tax systems).
- Support to long term strategic planning, definition of public policies for the reduction of social inequalities and quality of social expenditure in public administration (measuring social impacts of public policies, decentralisation, equality in public expenditures, etc).
- Support the functioning of accountable and democratic institutions so as to reinforce their legitimacy and fight against corruption. This could include policy support, peer learning, regional benchmarking and exchange of best practices, as well as statistical support for evidence-based decision making

Expected Results:

- Fairer and more transparent fiscal and public finance management systems with more efficient revenue systems
- Improved governance and quality of social spending, with better regard, inter alia, to gender equality and protection of marginalised groups.
- Consolidated state institutions according to democratic values and rules-based constitutional frameworks.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in the annex.

3.3 Inclusive and sustainable growth for human development Indicative allocation EUR 215 million

General objective:

Poverty reduction through more inclusive and sustainable economic growth in Latin America.

Specific objectives:

- Improve the policy framework for business, trade and investment, promote economic diversification, sustainable use of natural resources, and low-emission¹¹ and improve integration of national economies into regional and international markets with a focus on micro, small and medium-size enterprises (MSMEs).
- Increase the competitiveness of the private sector and the proportion of economic actors in the formal economy, particularly for MSMEs, increasing job opportunities and decent work, including in environment-related sectors to increase social cohesion.
- Improve the quality of technical education and employability by better linking vocational education and training to the demands of the labour market, and promote decent work.

Promote low-emission, climate resilient and environmentally sustainable investments.

Lines of action:

- Activities involving **business membership organisations (BMOs)** - such as chambers, associations or cooperatives - which are well-placed to respond to the actual needs and

¹¹In this document the term "low-emission" is used as a synonym for "low greenhouse gas emission" (economy, technology, investment, etc.).

demands of MSMEs; **and, where relevant, also with public-sector bodies; policy support** on questions like investment, regulatory and business environment, innovation, corporate social responsibility, social and environmental sustainability, eco-entrepreneurship, etc. **In order to reduce informality and social exclusion** the EU will work with BMOs to support informal MSME capacity development and with public authorities in the exchange of experiences and knowledge sharing on public policies.

- Activities focusing on **trade facilitation, intra-regional and international trade**, including implementation of trade agreements and support to ongoing negotiations, going beyond border management and customs, to cover also legal and regulatory adjustments, in all relevant areas, for example, customs, standards, intellectual property rights, and trade and sustainable development provisions. It will be of utmost importance to ensure private-sector participation, although primary counterparts of the actions envisioned under this component would be **public administrations** at national and regional level. Activities should address the overall enabling environment and/or specific value chains especially those with links to the European market, including for investments in low-emission technologies; support should take account of other relevant initiatives such as the Extractive Industries Transparency Initiative (EITI).
- Strengthening and integrating vocational education and training (VET) into national education systems, according to regional development priorities, thereby strengthening both competitiveness and social inclusion. This could encompass strategies on how to effectively link VET to the labour market for both the formal and informal sector, where possible with inclusion of social partners, as well as on how to promote decent work . Specific attention should be given to improving insertion of disadvantaged groups and minorities in the labour market.
- Attention should also be given to the economic empowerment of women and young people, and their participation in remunerated activities.
- Initiatives in this field will be directed to increase social cohesion taking into account territorial inequalities and disparities.

These initiatives will be complemented by innovative financing mechanisms and instruments such as blending.

Expected results:

- Latin American MSME are more competitive on international markets.
- Enhanced business environment and policy framework, in particular for MSMEs.
- Increased diversification of the economy, in particular MSMEs, including by making use of the opportunities offered by low-emission, climate resilient and environmentally sustainable investments.
- Skills and employability of labour force strengthened through pertinent VET programmes.
- Improved capacity to harness the benefits of regional and international trade and investment, both in terms of effective implementation and of negotiations.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in annex.

3.4 Environmental Sustainability and Climate Change **Indicative allocation EUR 300 million**

General objective:

- Reduce poverty of most vulnerable populations by fostering environmentally sustainable development and improving the capacity to cope with climate change and disasters.

Specific objectives:

- Foster exchange and cooperation on environmental and climate change-related challenges in order to promote sustainable management of natural resources and ecosystems and integrate sustainable development policies at national and local level.
- Strengthen regional networks to create knowledge and to share experience, through inter alia, peer learning and exchanges of best practices.
- Reinforce the capacity of LA countries to mitigate and adapt to climate change in particular by seeking to reduce the vulnerability to climate stress and improving disaster risk management.

Lines of action

- Support exchanges of information and expertise so as to promote mutual learning and the development of networks of expertise to enable a better understanding of phenomena related to climate change and environment and a stronger response with regards to the socio-economic and environmental challenges of development.
- Activities to promote sustainable management of natural resources and ecosystems and support the integration of climate change and environmental protection into sustainable development policies, with particular regard to the sustainability of cities, the use of renewable energy, the reduction of greenhouse gas emissions and the sustainable management of natural resources, fisheries and marine environment.
- Actions to reinforcing the capacity of LA to mitigate and to adapt to climate change, including by reducing vulnerability to climate stress, scaling-up of climate-smart practices to diminish Green House Gas emissions, strengthening production of environmental statistics and accounts, improving governance of natural resources, improving disaster risk management and sustainable management of natural resources and ecosystems, in particular water, forests and agriculture, and sustainable development of highly-populated areas.
- Initiatives in this field will be directed to increase social cohesion taking into account territorial inequalities and disparities.

These initiatives will be complemented by innovative financing mechanisms through blending initiatives to mitigate and adapt to climate change and promote biodiversity conservation. They will also take into account the commitments taken in the context of the EU-CELAC partnership, as well as in relevant multilateral processes including the CBD¹² and UNFCCC¹³ negotiation process.

Expected results:

- Development in Latin America becomes more climate-resilient and environmentally sustainable in particular to the benefit of the most vulnerable populations;
- Sustainable development public policies are strengthened, taking biodiversity, ecosystems and disaster risk management into account, resulting in low-emission, climate resilient and environmentally sustainable investments, higher territorial cohesion and reduced vulnerability.

¹² CBD: Convention on Biological Diversity; Change

¹³ UNFCCC: United Nations Framework Convention on Climate

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in the annex.

3.5 Higher education exchanges and cooperation **Indicative allocation EUR 163 million**

General objective:

Promote higher education exchanges and cooperation between the EU and Latin America.

Specific objectives:

- Support learning mobility for staff and students of higher education institutions;
- Enhance cooperation for innovation and the exchange of EU-LA good practices. Focus activities: strategic partnerships and knowledge alliances.

Lines of Action (under the Erasmus + programme for 2014-2020):

- Support to learning mobility for individuals. Focus activities: staff and student mobility.
- Enhance cooperation for innovation and the exchange of EU-LA good practices. Focus activities: strategic partnerships and knowledge alliances.

Expected results:

- Higher mobility of higher education institutions' (HEI) staff and students.
- Enhanced excellence in teaching and quality of HEI, through more innovative and successful teaching/learning methods.
- Enhanced skills and qualifications of students in the context of a global society.
- Mobility accomplished within joint high-quality study programmes (Joint Degrees) implemented by EU and non-EU universities.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in the annex.

I.4. Anticipated modes of delivery

- Direct management with final recipient;
- Indirect management with Member States, International Organisations or Latin American countries;
- Main contractual vehicles to be used are grant or procurement contracts. There will also be use of financing agreements and Indirect Management Delegation Agreements;
- The Commission will strive to coordinate and include wherever possible Member State agencies in joint actions.
- Blending, based on the experience of the facility for Latin America (LAIF), will be a major mechanism of implementation in particular for supporting investments complementing the above mentioned objectives, and clearly linked to the overall EU objectives and policy priorities in the region. Innovative investment operations and pilot initiatives could also be supported.

I.5 Complementarity

In the field of **security**, the continental programme proposed would be complementary to the actions for institutional strengthening in this field envisaged in particular under the sub-regional programme for Central America component, the EDF regional programme for the Caribbean and the bilateral programmes (e.g. youth and violence prevention in El Salvador, conflict and violence in Guatemala; strengthen the rule of law in Honduras; support to the justice reform and fight against illicit drugs in Bolivia; development–security-nexus in Jamaica). Indeed, the often continental and cross-border nature of many of the related challenges cannot be sufficiently tackled only at the lower levels, but needs to be complemented through relevant interventions at continental level with a view to promoting international standards and best practices in human rights and fight against crime, as well as fostering continent-wide mechanisms for cooperation and policy dialogue in the areas of drugs, migration and security.

The definition and implementation of actions in support of **trade** will aim at reinforcing the synergies with the bilateral programmes (for example, El Salvador: private-sector development; Guatemala: competitiveness, Honduras: employment, and forestry/FLEGT, etc). This will also be the case for the implementation of Central America Association Agreement.

For environmental sustainability and **climate change**, the continental programme will focus on long-term measures and will be coordinated with the bilateral programmes in the more fragile states of Latin America and the Caribbean, as well as the programmes for each of the three sub-regions under the DCI and/or the EDF. These will complement the continental objectives by focusing on specific areas of fragility (like natural disasters – such as climate change and vulnerability in Nicaragua, water in Bolivia, Sea Defence/Coastal Management in Guyana, Environment in Jamaica). Synergies will also be sought i.a. with disaster risk reduction measures implemented by the European Commission through DIPECHO¹⁴ action plans and drought resilience initiatives¹⁵.

Synergies will also be pursued under DCI thematic programmes, the Partnership Instrument (PI), particularly as regards economic and trade/related programmes as well as initiatives in the area of sustainable inclusive development, and with the activities carried out by the EU-LAC Foundation.

Complementarity of this programme with other EU thematic instruments and programmes, such as the DCI Global Public Goods and Challenges, Civil Society Organisations/Local Authorities, the European Instrument for Democracy and Human Rights (EIDHR) and the Instrument contributing to Stability and Peace (IcSP) will be ensured.

This continental component will be complemented by a sub-regional component for Central America that will create important synergies in the areas of security-development nexus, inclusive and sustainable growth and environmental sustainability and vulnerability.

The EU response for this component may be complemented by operations financed by the European Investment Bank (EIB).

¹⁴DIPECHO (Disaster Preparedness ECHO) dedicated to disaster preparedness.

¹⁵ Resilience building is an overarching goal as outlined in the European Commission's Communication on Resilience (COM (2012)586 final and SWD (2013)227 final). Resilience strategies should contribute to different policies, in particular Food Security, Climate Change Adaptation and Disaster Risk Reduction (DRR).

II. SUB-REGIONAL PROGRAMME FOR CENTRAL AMERICA

(Indicative budget EUR 120 million for 2014-2020)

II.1 Political and economic context in Central America. Progress achieved and continuing challenges

The peace processes which took place after a long period of civil wars and military rule in the 80s, contributed to positively transform the political scenario in Central America. This opened new opportunities for democratic consolidation, non-violent resolution of conflicts and regional cooperation. Today the region is broadly stable and democracies are in place in all countries. However, challenges still remain regarding the rule of law, good governance, security, and human rights.

Half of the Central American population lives in poverty, which remains widespread among indigenous populations, and in rural areas in El Salvador, Honduras, Guatemala and Nicaragua. Despite progress in the last years in educational coverage or life expectancy and infant mortality rates, infant rural malnutrition is still very high (around 35%) among children under the age of 5.

With significant divergences among countries, state institutions remain generally weak, and lack the resources to guarantee the full enjoyment of human rights and implement comprehensive social policies. Violence and crime rates are amongst the worst in the world in the Northern triangle (Honduras, El Salvador and Guatemala) as a consequence of persistent social inequalities, high levels of impunity and organised crime linked to drug trafficking.

Central America is one of the world's most vulnerable regions to natural disasters and climate change. Its geographical location makes it particularly prone to volcanic, seismic and meteorological hazards.

The region is one of the most unequal in the world, and in some cases inequality has even risen during the last decade. With a big demographic bonus (Central American population increased by more than 20% between 2000 and 2010), a more sustainable and equitable growth model is needed to ensure political inclusiveness, social cohesion and economic sustainability in the longer term.

The integration has made notable progress in some areas, such as intraregional trade with the aim to achieve a customs union, free movement of citizens through the Agreement between Guatemala, El Salvador, Honduras and Nicaragua, the establishment of a Regional Security Strategy to complement and coordinate national public policies, the development of a regional common process for the procurement of medicines, or the approval of a Regional Strategy on Climate Change.

On the contrary, political integration does not show the same picture: the existence of bilateral territorial disputes between some countries which flare up from time to time, the diverging views on the direction the integration process should take, the intra-regional socio-economic disparities, and the longstanding presence of institutional shortcomings and deficiencies have a limiting effect on progress.

Central American countries have managed quite well to resist the global financial crisis, with an average growth of 4.6 % for the period 2011-13, a figure which masks huge disparities between countries. Although the economies have been presenting positive growth rates in the last years, neither the rate of growth nor the distribution of its benefits enabled to tackle the poverty and inequality. Highly unequal distribution of wealth and income, and limited provision of essential social services result in low levels of social cohesion. Macroeconomic constraints are reinforced by weak tax collection (around 15% of GDP), and widespread tax evasion. This leads to a vicious circle of poverty, the search for alternative options for survival (migration, criminality, etc.), and social conflict.

In recent years, the Central America integration process has reached a turning point: de facto integration is going faster than the formal integration. In the past, national governments were the motor of the process; now the increasing involvement of private sector and other civil society groups is making integration almost irreversible. A challenge will be the completion of all legal and formal conditions for the full accession of the Dominican Republic to the Central America Integration System (SICA).

The region's current priorities set out in the Action Plans agreed by the Presidents of Central America are: climate change and disaster risk management, regional security, social integration, economic integration and institutional strengthening. A deeper involvement of civil society in the integration process is key and more work needs to be done on this front.

In this regional environment, the EU has displayed a continuous commitment to strengthen its relations with the region. The EU remains the main donor of regional cooperation and integration, the region's second largest trading partner and one of the largest foreign investors.

Much of the EU influence in the region stems from its substantial and well-designed co-operation in key sectors which have been useful tools to push forward the Central American integration process. The relation between EU and Central America has been shaped by the San Jose Dialogue, launched in 1984 to establish a channel for political dialogue between the two regions, originally set up to support the peace process and democracy in the region. It was confirmed and expanded to include other issues such as economic and social development.

The regional Development Cooperation Framework Agreement signed between the six Central American countries and the Commission in 1993, came into effect in 1999. This agreement covers a broad range of co-operation sectors and foresees the establishment of a Joint Committee to oversee its implementation as well as sub-committees for detailed examination of specific sectors of the Agreement. In December 2003, a new Political Dialogue and Cooperation Agreement was signed by the EU and Central America institutionalising the San Jose Dialogue and expanding cooperation to include new areas such as migration and counter-terrorism.

In June 2012 the first region-to-region Association Agreement was concluded by the EU with 6 Central American countries: Costa Rica, Guatemala, El Salvador, Nicaragua, Honduras and Panama. The agreement is based on three pillars – political dialogue, cooperation and trade. The trade pillar of this agreement is implemented since December 2013, introducing gradual free trade between the two regions, stimulating growth and sustainable economic relations, fostering economic and social development, promoting an environmental dimension, as well as modernization and technological innovation. The EU-CA AA has acted as a catalyst of progress on economic integration and trade, mainly driven by the private sector. This has led to positive outcomes like the accession of Panama to the *Secretaría de Integración Económica Centroamericana* SIECA, the economic integration body.

The completion of the AA ratification process by the EU Member States will activate the political dialogue and cooperation pillars, thus reinforcing the traditional ties. The agreement will provide the framework and commitment to work jointly to address the challenges the region is facing, promoting a path to sustainable development and social progress, enhancing the capacities to deliver public services, including security, giving a boost to regional integration, consolidating democracy, and addressing the vulnerability to natural disasters and climate change in Central America.

The relation between the EU and Central America has been further strengthened with the observer status of SICA granted to the European Union in 2013.

II.2 Analysis of problems and choice of sectors

The SICA's Action Plans set and formulate priorities allowing to draft a proper EU response strategy, In line with these plans, the three focal sectors proposed for the period 2014-2020 are those where the EU can bring about more added-value:

- support to the regional economic integration, including commitments undertaken in this area when subscribing the EU-CA AA,
- support to the Regional Security Strategy,
- support to the Regional Climate Change Strategy and the Central American Policy on Comprehensive Disaster Risk Management

For the first priority sector, **regional economic integration**, the region relies today on commodity exports, remittances and tourism, and imports energy, what makes the region highly vulnerable to external factors. The main challenge is to advance in the process of economic integration with the creation of a Central American market for goods and services. This is essential to provide the open but small Central American economies with a sufficiently large market (more than 40 million people and USD 200 billion combined GDP) to attract investments and compete internationally, diminishing their exposure to external shocks.

The creation of a genuine regional market with more integrated productive chains across the region is essential for the generation of employment and growth by the private sector. Besides the establishment of a customs union and the progressive harmonisation of regulations, it is particularly important in this endeavour, to strengthen the productivity and competitiveness of the private sector, particularly of MSMEs and cooperatives. Promoting pro-poor growth by private sector development will be critical in achieving a sustainable trajectory out of poverty and meeting the Millennium Development Goals, specially the target of halving the proportion of people living on less than one dollar a day. This represents an opportunity to contribute to the region's transition to a green economy.

The conclusion of the EU-CA AA and the application of its trade pillar constitute a strong incentive, as Central American countries have to deal as a block with one of its main trading partners. It provides an opportunity to invigorate trade both at intra-regional and trans-regional level. The capacity of the CA region to implement and to benefit from the Agreement requires strengthening of the regulatory environment in order to achieve higher levels of integration, including the full establishment of a regional customs union.

Through the economic integration process, coordinated by SIECA, different mechanisms and reforms are foreseen in order to make the economies less vulnerable by boosting competitiveness and diversification.

Promoting the development of regional-wide regulation in some strategic areas, fostering trade and investment, and improving productive and administrative capacities, are three important challenges where the regional dimension has a clear added value.

Security and the rule of law currently represents, for the countries concerned in Central America, a persistent threat to their economic growth, development and political stability. The EU envisages to continue promoting a comprehensive and balanced approach to security issues in Central America. Addressing the **security-development nexus** has been identified by the Development and Cooperation Instrument as a specific area of cooperation in the region.

Approximately EUR 153 million have been devoted to security and justice related programmes both at regional and bilateral level for the period 2007-2013, focused on three complementary components (support to police and forensic institutions, strengthening of justice systems and support of social cohesion through prevention activities dedicated, in particular to youths).

The EU CA program second focal sector for 2014-20, **security and rule of law**, will be implemented in a context of several challenges that need to be addressed by the region. With homicide rates that are among the highest in the world, crime and violence threaten Central America citizens' security, hitting particularly the poor and the youth, especially in the Northern triangle (El Salvador, Honduras and Guatemala). This results in huge social, economic, and institutional costs, and detracts public funding, thus undermining poverty reduction and development efforts. The World Bank has estimated the costs of insecurity in Central America, including citizen security law enforcement and health care, at close to 8 percent of sub-regional GDP, and suggests that a 10 percent reduction in the violence levels in the Northern Triangle could increase annual GDP per capita by as much as one percent.

The source of violence does not rest only on drug trafficking, although a sizeable part of it is linked to competition between organised crime groups. Reinforced by the lack of comprehensive policies and the scarcity of decent job opportunities, violence is further fuelled in the Northern countries.

Drug trafficking is particularly lucrative, where Central America has become the operational playground of transnational organised crime moving around drugs. At the same time, a whole range of other activities complement and sustain the presence of these groups, such as human and arms trafficking, kidnapping, extortion and large scale money laundering. The dominance of youth gangs, particularly in urban areas, has further pushed up the crime numbers over the last decade. Within this culture of violence, attacks against vulnerable groups like women or migrants, including an ever growing proportion of minors, are of a particular concern.

This context is furthermore defined by high levels of impunity. Low investigative and prosecutorial capacities are an important factor in this. Overcrowded and ineffective prison systems continue to raise significant human rights concerns, far from being pathways to reinsertion. Corruption and infiltration by organised crime throughout the security and justice apparatus further hampers the effectiveness of citizen security policies and can cause human rights violations.

The impact of violent crime on the economy and society as a whole is exacerbated by the state's limited capacity to deliver public services to the population. As a result, in some countries organised crime and gangs are locally embedded. Consequently, public institutions in security and justice enjoy low levels of legitimacy and often citizens search for alternative methods of procuring security privately.

Central American governments, aware of the gravity of the situation and its impact in the access to global public goods, have acknowledged that the transnational nature of these problems cannot be tackled at national level alone but need to be complemented by a regional approach. In 2011 the Heads of State and government of SICA adopted the Central American Security Strategy (ESCA) which was also endorsed by the international community. The Strategy is based on four pillars (law enforcement; violence prevention; rehabilitation, reintegration and prison management; institutional strengthening) and fourteen priorities that were converted into project profiles. Under the 2007-2013 CSP, the EU has already provided significant resources for the implementation of the ESCA.

Nevertheless, overall funding allocated to these objectives has been lagging behind; not only international partners of the region but also the affected countries themselves ought to step up their efforts. Public security will remain one of the most demanded needs in Central America for the next decade. The ESCA will keep on being the principal framework for future cooperation efforts. The EU participates in the so-called *Group of Friends for Security in Central America*, initially a donor coordination mechanism, but with a strong political component, aimed at supporting SICA and its member countries in implementing the ESCA.

The third focal sector of the EU CA cooperation program for the next years targets **climate change and disaster management**.

The region is particularly vulnerable to climate change and is increasingly hit by serious meteorological events that produce severe damages in terms of human casualties and economic losses; its location in a seismic area aggravates its vulnerability.

Central America stretches quite thin between the Pacific Ocean and Caribbean Sea, with mountain chains that determine the precipitation patterns; it is characterized largely by humid, tropical conditions while extensive areas (e.g. in the so-called Dry Corridor running through the six Central American countries) are subject to alternate drought and floods. Studies¹⁶ show the region is being, and will be, impacted at a greater frequency and intensity by extreme climate phenomena; this entails more droughts on the one hand, and higher chances of flooding from tropical storms and hurricanes on the other.

These variations reinforce the loss of forest ecosystems and coastal/marine resources which are the basis for economic activity, representing a major proportion of income and employment. Apart from the negative impact on the main economic activities, they have a negative effect on food security and the vulnerability of human settlements. Pressure on the region's natural resources is further exacerbated by several other factors, such as: continued population growth, the absence of territorial/spatial planning policies, urban expansion, internal immigration due to poverty, unregulated productive activities and changing habitats. For instance, agriculture is both an important sector for large scale producers and of scarce livelihoods for subsistence farmers and daily labourers.

Central America's annual deforestation equals some 350,000 hectares; the region lost 1.2 million hectares of forest in recent years although the rate of deforestation is decreasing. For this purpose, complementarities will be sought with the Forest Law Enforcement, Governance and Trade (FLEGT) at a regional level. According to the U.S. Country Studies Program (USCSP) and the Global Environment Facility (GEF), seasonal climate variability has provoked a series of negative effects: animal and plant diseases, irreversible loss and degradation of habitats and biodiversity, damage to ecosystems endangering the livelihoods of subsistence farmers, chronic malnutrition, vector-borne infectious diseases, saltwater intrusion and infrastructure damage.

According to the Latin American Energy Organisation (OLADE), in 2005 the region's residential sector consumed the highest amount of energy (43%), of which 83% came from firewood, directly influencing sustainable production since most deforestation is attributable to logging for firewood. In 2012 the region's installed electricity generation capacity was approximately 12,452 MW, of which 64.9% corresponded to renewable energy sources.

Climate change adaptation and mitigation together with disaster risk management have started to become one of the regional priorities since in the period 2000-09, meteorological disasters doubled compared to the period 1990-99. In addition, 35% of the region's river basins are shared between two or more countries and represent almost half of the protected areas in the isthmus. A good management of ecosystems is required in order to increase resilience and support mitigation and adaptation to climate change. Leaders of the affected countries have realized the trans-boundary aspect of the problematic and started to work on a regional approach in order to join efforts.

In 2010, the SICA member countries approved the first Regional Strategy on Climate Change (RSCC)¹⁷, reflecting a shared regional vision how to face the challenges of climate change and its impact. This is complemented with the Central American Policy on Comprehensive Disaster Risk Management approved also in 2010¹⁸. Both the strategy and the policy spell out the main problems and provide orientation for actions to be taken in the following years, with a strong focus on improved natural resources and ecosystem management to achieve mitigation objectives, promote adaptation in key sectors such as agriculture, forestry, land-use and water,

¹⁶ Such as the International Panel on Climate Change (IPCC) report on <http://ipcc.ch/>

¹⁷ <http://www.sica.int/busqueda/secciones.aspx?IdItem=55544&IdCat=48&IdEnt=879>

¹⁸ <http://www.sica.int/cepredenac/pcgir.aspx>

and increase resilience to extreme climate events. These policies have been converted into action plans, however, increased commitment, both at regional and national level, and adequate resources are required.

Even though each of the three focal sectors of the EU cooperation program is facing different problems, all of them share the need of taking into account vulnerabilities of specific groups and of integrating a Gender, Human Rights, and an environmental approach.

II.3 EU support per sector

3.1 Regional economic integration Indicative allocation EUR 40 million

General objective:

Contribute to sustainable and inclusive growth in Central America through an improved regional economic integration.

Specific objectives:

- Reducing the regional constraints to competitiveness, diversification and investments in Central America including by supporting regional institutions' (namely SIECA) economic integration processes and reforms.
- Maximising the benefits for Central America's population of the implementation of the economic components of the EU-CA Association Agreement.

Lines of action:

- Supporting the harmonization and implementation of public policies, regulations, standards and statistics.
- Improving capacity for intra and extra-regional trade and investment development and exports promotion, with a focus on MSMEs.
- Supporting measures to improve trade related infrastructure for regional integration.
- Building productive capacities and sustainable value chains in the region, and ensuring that trade policies and labour and environmental policies are mutually supportive.

Possible expected results:

Policy and regulation:

- Increased economic and regulatory convergence in fields like customs, sanitary and phyto-sanitary measures, technical regulations, and others prioritised as per common agreement in view of maximizing the benefits for Central American countries as a result of the AA implementation.
- Improved trade-related labour and environment compliance, in line with international commitments and the AA
- Enhanced institutional capacity of regional authorities such as SICA system, think tanks, research institutes, and other organisations for sustainable regional economic integration policy formulation and implementation.

Investment and export promotion:

- Investment and export promotion initiatives supported both from intra-regional and EU-Central America perspectives, with a special focus on MSMEs.

Building productive capacities and sustainable value chains in the region:

- A more integrated regional market through sustainable value chains, in particular of MSMEs and cooperatives of increased productivity and competitiveness; as well as increased and more diversified export opportunities, allowing CA countries to fully benefit from the AA implementation.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

3.2. Security and rule of law **Indicative allocation EUR 40 million**

General objective:

To contribute to the reduction of violent crime and impunity, whilst respecting human rights and promoting a culture of peace.

Specific objectives:

- Reinforce the capacity of the region to decrease transnational crime.
- Improve capacities to deliver effective and accountable security and justice services to the population.

Lines of action:

Aligning with the first three pillars of the ESCA, the main lines of actions are:

- Prevention: provide skills and knowledge to institutions and citizens to identify, prevent and respond to violence with particular attention to vulnerable groups such as youth, migrants and women.
- Reinsertion and rehabilitation: stimulate the establishment of mechanisms, procedures and protocols aimed at rehabilitation and social integration of persons deprived of their liberty.
- Law enforcement: reduce transnational organised crime through, amongst others, strengthened regional (operational) cooperation.

In addition to supporting the ESCA, actions will be undertaken to:

- Promote a culture of peace; attention will be paid to develop a culture supportive of the rule of law amongst citizens.

Possible expected results:

Prevention:

- An increased number of communities implement comprehensive crime prevention policies.
- Decrease of youth committing crime and / or becoming a member of gangs.
- Decrease of gender based violence.

Reinsertion and rehabilitation:

- Improvement of human rights standards in prison conditions with a special focus on vulnerable groups such as women and juvenile offenders.
- Creation / improvement of rehabilitation and reinsertion programmes, leading to a reduction of recidivism.

Law enforcement:

- A sustained reduction of homicides and other crimes (robbery; extortion; money laundering and others), on the basis of reliable data, statistics and reporting.
- Increased number of cases being investigated and brought before justice, hereby reducing impunity.
- Improved regional legal framework and operational cooperation through the implementation of necessary reforms and the conclusion of operational agreements.
- Reduced corruption in state institutions / bodies charged with security and justice.

Culture of peace:

- Increased participation of civil society in the decision making and implementation phase of security and justice related policies.
- Improved attention to victims of criminal violence and of acts of human rights violations.
- Reduced perception of corruption and hence an increase in citizens reporting crime taking place / reduction of vigilantism.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

3.3 Climate change and disaster management **Indicative allocation EUR 35 million**

General objective:

To contribute to building more resilient and sustainable societies through a better preparation of the region to address climate change.

Specific objective:

- Contribute to address climate change and environmental related issues by supporting the adoption and implementation of adaptation, mitigation and disaster risk reduction measures and promoting low-emission investments.

Lines of action:

- In line with the Regional Climate Change Strategy, promote adaptation to climate change among the population and socio-economic sectors, particularly in priority areas such as agriculture, forest eco-systems, biodiversity, water protection and coastal / marine environments.
- Foster the implementation of measures aimed to enhance the mitigation capacity and low-emission investments, for example in renewable energy sources and energy efficiency measures.
- Contribute to the implementation of relevant regional policies such as the Central American Policy on Integrated Risk Management (PCGIR) and the Regional Plan on Disaster Reduction (PRRD).

Possible expected results:

Climate change:

- Better environmental governance and mainstreaming of climate change issues in development planning at regional, national and local level in order to reduce damage and loss due to climate – related hazards.

- Build institutional capacity for adaptation to climate change in agriculture, considering specific territorial vulnerabilities (crop production, livestock, fish and aquaculture).
- Reduce vulnerability of forest eco-systems, biodiversity, coastal / marine and water resources, by addressing environmental degradation and stimulating the use of ecosystem-based approaches to climate change adaptation.
- Foster the use of low-emission technologies and access to financial mechanisms promoting low-emission and climate resilient investments in the region.
- Foster greater use of renewable energy sources in regional energy generation grids.

Disaster risk management:

- Reinforce the implementation at regional and national level of proper disaster risk reduction plans.
- Strengthen research, data collection and promote information exchange (including early warning systems) on reducing and managing disaster risk among national and regional institutions.
- Reinforce capacities to take over from humanitarian aid operations attending victims of large-scale or recurrent disasters.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

II.4 Support measures

The main aim of such measures is capacity building and providing technical assistance in a more efficient and structured manner. These resources are envisaged to support communication and visibility activities to raise awareness of EU aid. They can also be directed to thematic studies and impact assessments of projects, support to formulation of public policies and policy dialogue, and short-term technical assistance, as well as to support aid efficiency initiatives such as donor coordination and division of labour.

II.5 Anticipated modalities of delivery

Implementation modalities remain to be determined but could include, among others, direct management through project approach and indirect management with Member States agencies, International Organisations or Latin American countries.

Although EU cooperation with Central America and the Caribbean is governed by two separate legal frameworks and therefore programmed separately, strong geographical, economic, political and cultural ties between the regions exist, as reflected by the SICA membership of Belize and Dominican Republic. Wherever relevant, eligibility of the Caribbean countries for actions falling under the Central America regional programme could be considered (in accordance with Article 16 of the DCI) and vice-versa. Regional cooperation will be further fostered by the possibility to engage in multi-country projects, in which at least two of the eight SICA partner states could participate. Moreover, South-South cooperation between countries in the region and other Latin American countries will be promoted.

II.6 Complementarity

Ensuring coherence between continental, bilateral and thematic projects is one of the main challenges of the EU development cooperation projects implemented in the Central American countries. This is why the EU sub-regional cooperation focuses on areas where it can provide sufficient added value compared to the bilateral programmes. Contribution of a regional blending facility, such as the Latin American Investment Facility (LAIF) could be envisaged in order to facilitate an improved trade related infrastructure for regional integration.

Subsidiarity shall be one of the underlying principles during the identification, formulation and implementation of interventions. Regional interventions should be undertaken if they are considered to be more effective than the national ones, if they have a leverage effect or if they are complementary. In all cases, a rigorous articulation between national and regional actions is required.

In line with the Agenda for Change, the increasingly active role of **private sector in development** should be taken into account, both as a main source of finance, and as a partner to governments and donors. This is something to foster not only through public-private partnerships (PPPs), but also through more innovative forms of private-public collaboration for achieving inclusive and sustainable growth.

Regarding the **security and rule of law** interventions it is crucial to further strengthen the existing donor coordination mechanism. The Group of Friends of the Central American Strategy needs to regain momentum, as it remains the right forum to assure coordination and complementarity between the international partners of Central America.

Synergies will be sought with EU humanitarian interventions in the areas of disaster risk management, resilience building and security.

The **climate change** activities at sub-regional should take into account the complementary and differentiated roles of governments, regional organisations, businesses, and households. The scope of the sub-regional initiatives should be to facilitate national adaptation forums to share research, information and experience in adapting to climate change and in promoting low-emission development in different national jurisdictions.

The lines of action under this sector should also take into account the interrelationship between the environment and human rights, especially regarding the vulnerabilities of specific groups like women, children, displaced people and indigenous population.

The EU response for this component may be complemented by operations financed by the European Investment Bank (EIB).

III. INDICATIVE ALLOCATION AND SECTOR BREAKDOWN

DCI REGIONAL ENVELOPE FOR LATIN AMERICA 2014-2020 (indicative amounts, EUR million)		
Continental component	805	
Security - development nexus		70
Good Governance, Accountability and Social Equity		42
Inclusive and sustainable growth for human development		215
Environmental Sustainability and Climate Change		300
p.m. Erasmus+ ¹⁹		163
Support Measures		15
Sub-regional Central America component	120	
Regional Economic Integration		40
Security and the Rule of Law		40
Climate change and disaster management		35
Support Measures		5
TOTAL	925	

¹⁹

Contribution managed within the Erasmus+ Programme.

ANNEX: POSSIBLE TYPES OF INDICATORS BY PRIORITY AREA AND COMPONENT

I. CONTINENTAL COMPONENT

The results, indicators and means of verification indicated in the present annex may need to evolve to take into account changes intervening during the programming period

Baselines for the indicators below will be introduced in the action document at the latest.

Objective	Result	Indicator	Means of verification if not mentioned in indicator
Security-Development Nexus			
Support the capacity of states and communities to:	Public security and fight against organised crime:		
deliver effective and accountable security and justice services to their citizens, strengthening the rule of law, including through support to reforms in the justice and security sector and to crime prevention policies;	Improved legal framework and service delivery capacity of the criminal justice system and police.	World Bank Governance indicator: Control of Corruption World Justice project Rule of Law index (civil justice and criminal justice sub-indexes) Citizen perceptions of insecurity or impunity, and regarding the police and criminal justice sectors	National statistics United Nations Survey of Crime Trends and Operations of Criminal Justice Systems Transparency International World Bank Governance indicators UNDP Human Development report OAS victimization survey;
	Increased capacity to monitor crime trends and to formulate balanced and evidence-based national security strategies.	Number/rate of crimes, in particular violent crimes (disaggregated by type of crime) Citizen perceptions of insecurity or impunity, and regarding the police and criminal justice sectors	National statistics UNDP Human Development report OAS victimization survey
	Reduced impact of illicit trafficking, money laundering, corruption	Improvements measured according to the indicators as	National Data

	and other organised crime activities.	mentioned in the UNODC's World Drug Report and/or Organisation of American States Citizen perceptions of insecurity or impunity, and regarding the police and criminal justice sectors	UNODC data OAS victimization survey;
Support the capacity of states and communities to:			
develop integrated, balanced and human rights-based national drug policies covering both drug demand and supply reduction efforts – in line with the principle of co-responsibility; and,	Increased capacity to monitor drug issues, and to formulate integrated, balanced and evidence-based drug policies at national levels;	Number of countries adopting or improving national legislation or policy/strategic documents that promote an integrated (i.e. combining all aspects of drugs activities), balanced (i.e. concentrating equally on demand and supply reduction measures) and evidence-based (i.e. drawing on scientific findings) approach to drugs in line with the EU Drugs Strategy 2013-20;]	EU Project and Programme monitoring systems
	Reduced drug production, reduced demand and harm of drugs and reduced levels of drug trafficking; strengthened action against illicit financial flows and money laundering deriving from drug trafficking, increased control of precursors, enhanced police cooperation and overall law enforcement institutional strengthening . Strengthened EU-CELAC Coordination	Surface of hectares destined to coca production Prevalence of illicit drug use among the general population	National statistics UNODC drug use statistics

	and Cooperation Mechanism on drugs.		
Support the capacity of states and communities to:	Improved management of migration and borders Increased knowledge and capacities:		
promote sound migration management through facilitation of labour migration, strengthening migrants' rights, control of irregular migration and promotion of the positive linkages between migration and development.	to monitor migration flows, to manage labour migration while ensuring improved protection of migrants' rights, as well as to formulate balanced and evidence-based migration policies at national level;	Number of country profiles and reports focussing on migratory routes and dynamic published by Regional organizations or partner countries with EU support Number of countries adopting international standards for the protection of migrant workers as defined by the ILO	EU Project and Programme monitoring systems
	to reduce flows and negative impact of irregular migration and trafficking in human beings and increased positive effects between migration, mobility and development; and,	Number of countries in which the productive use (i.e. for investment purposes) of remittances has been on the rise	IOM statistics
	to formulate and implement policies in the area of integrated border management, particular to reduce illicit activities.	Number of countries that created or improved the national legislation or internal coordination and cooperation mechanisms on border management at intra-service, inter-agency and international level; Speed of border checks for goods and people	EU Project and Programme monitoring systems Goods (World Bank Logistical Index (Customs)) People (EU Project and Programme monitoring systems)

Cross-cutting:	Human rights protection, in particular of vulnerable populations, and enhanced adherence to relevant international mechanisms.	Citizen perceptions of insecurity or impunity, and regarding the police and criminal justice sectors	UNDP Human Development report OAS victimization survey
Cross-cutting:	Gender equality and elimination of gender-related violence.	Number/rate of crimes, in particular violent crimes (disaggregated by type of crime and gender)	National Statistics
Good governance, Accountability and Social Equity			
To support fiscal and public finance management reforms and their implementation as a basis for the state to provide high quality public services for social equity.	Fairer and more transparent fiscal and public finance management systems Better redistribution effect of tax systems in LA for reduction of inequalities	Tax collection rates of Latin American countries compared to OECD members' average (in particular in terms of i) structure of taxation and ii) trends)	National Statistics, OECD (PEFA, WorldBank, IMF, CEPAL) UNDP CEPAL CEPAL
		PEFA indicators, on Comprehensiveness and transparency PI-5 to PI-10 Human development index Fiscal system efficiency Estimated level of tax evasion	

To improve the capacity of public administrations to provide public services in a transparent and accountable manner.	Improved governance and quality of social spending, with better regard, inter alia, to gender equality and protection of marginalised groups.	PEFA indicators on Policy-based budgeting (PI-11 and PI-12)	PEFA
		Assessment on Governance based on indicators from ECLAC's SOCIAL Panorama Latin America	CEPAL
To strengthen the legitimacy, transparency and accountability of democratic institutions.	Consolidated state institutions according to democratic values and rules-based constitutional frameworks.	Democracy Index	Democracy Index
Inclusive and sustainable growth for human development			
Improve the business environment, promote economic diversification, sustainable use of natural resources, and low-emission economy and improve integration of national economies into regional and international markets with a focus on micro, small and medium-size enterprises (MSMEs).	Enhanced business environment and policy framework for MSMEs	Simplicity of Business environment (WB Distance to frontier indicator)	World Bank
	Improved regional capacity to harness the benefits of regional and international trade and investment, including investment in low-emission technologies.	Intraregional trade as a % of total trade Investment framework for low-emission infrastructure	Economic Outlook for Latin America CEPAL CLIMATESCOPE report for Latin America and the Caribbean (IDB – Inter-American Development Bank)
Latin American economies are more diversified.	Increase the productivity and formalisation of the private sector, particularly of MSMEs, increasing job opportunities and decent work, including in environment-related sectors to increase social cohesion.	Weight of the informal economy in terms of GDP Informal employment over total labour force	World Bank CEPAL
		Firm level productivity of companies supported by EU funded programmes	EU Project and Programme monitoring systems

Improve the quality of technical education and employability by better linking vocational education and training to the demands of the labour market, and promote decent work.	Skills and employability of labour force strengthened through pertinent VET programmes.	% of labour force with TVET level studies completed	National statistics ILO
Promote low-emission, climate resilient and environmentally sustainable investments.	Increased diversification of the economy, in particular MSMEs, including by making use of the opportunities offered by low-emission, climate resilient and environmentally sustainable investments.	Number of MSMEs applying sustainable consumption and production practices with EU support (Source: Firm level surveys) Amount of low-emission energy investments per year	CLIMATESCOPE report for Latin America and the Caribbean (IDB)
Environmental Sustainability and Climate Change			
To integrate sustainable development policies at national and local level fostering exchange and cooperation on environmental and climate change-related challenges	Sustainable development public policies are strengthened, taking biodiversity, ecosystem services and disaster risk management into account, resulting in low-emission, climate resilient and environmentally sustainable investments, higher territorial cohesion and reduced vulnerability Regional networks are strengthened to create knowledge and to share experience, through inter alia, peer learning and exchanges of best practices	Number of countries with legislations, regulations, strategies, action plans in force related to sustainable development, climate change - including greenhouse gas emissions reduction –, environment and natural resources management Electricity production from renewable sources (MWh) Number of hectares of protected areas State of global biodiversity loss.	Ministries of Environment National Statistics Ministries of Finance and Planning CEPAL ACTO, SICA-CCAD IUCN Global Biodiversity Outlook – Convention on Biological Diversity / UNEP
To promote a more climate-resilient and environmentally sustainable development in Latin America in particular to the benefit of the most vulnerable populations	The capacity of LA countries to mitigate and to adapt to climate change are reinforced, including by reducing vulnerability to climate stress, scaling-up of climate-smart	Number of watersheds with integrated water resources management Proportion of population having access to better drinking water source	CIAT, CATIE, CAZALAC National statistics PAHO

	<p>practices to diminish Green House Gas emissions, strengthening production of environmental statistics and accounts, improving disaster risk management and sustainable management of natural resources and ecosystems, in particular water, forests and agriculture, and sustainable development of highly-populated areas</p>	<p>Reduction of the rate of gross tropical deforestation</p> <p>Number of farmers adopting sustainable agriculture practices</p>	<p>ACTO, SICA-CCAD</p> <p>IUCN</p> <p>FAO</p> <p>IICA</p>
--	---	--	---

II. CA SUB-REGIONAL PROGRAMME

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Objective	Result	Indicator	Means of verification if not mentioned in indicator
Sector 1: Regional economic integration			
Specific objective 1: Reducing the regional constraints to competitiveness, diversification and investments in Central America, including by supporting regional institutions' (namely SIECA) economic integration processes and reforms	R1. Policy and regulation Enhanced institutional capacity of regional authorities such as SICA* system, think-tanks, research institutes, and other organisations for sustainable regional economic integration policy formulation and implementation	<ul style="list-style-type: none"> • Number of consultations on regional economic issues between regional institutions and private sector representatives • Number of consultations on regional economic issues between regional institutions and civil society, think tanks and/or research institutes representatives. 	<p>Meeting minutes from SIECA** and CCIE***</p> <p>Meeting minutes from SIECA – CCIE – CSUCA**** and CSOs</p>
	R2. Investment and export promotion Investment and export promotion initiatives supported both from intra-regional and EU-Central America perspectives, with a special focus on MSMEs.	• Number of meetings held between concerned regional institutions and stakeholders on investments and exports promotion	Meeting minutes and reports from private sector and national agencies of investment and export promotion
	R3. Building productive capacities and sustainable regional value chains A more integrated regional market through sustainable value chains, in particular of MSMEs and cooperatives of increased productivity and competitiveness; as well as increased and more diversified export opportunities, allowing CA countries	• Number of SMEs receiving technical assistance	Technical assistance and donor reports - Statistics from CENPROMYPE (SICA)

	to fully benefit from the AA implementation		
<p>* Central American Integration System ** Secretary General for Economic integration *** Consultative Committee on Economic Integration **** Supreme Council of Central American universities</p>			
<p>Specific objective 2: Maximising the benefits for Central America's population of the implementation of the economic components of the EU-CA Association Agreement</p>	<p>R1. Policy and regulation Increased economic and regulatory convergence in fields like customs, SPS, technical regulations, and others prioritised as per common agreement in view of maximizing the benefits for Central American countries as a result of the AA implementation</p>	<ul style="list-style-type: none"> • Number of common customs procedures approved 	Resolutions approved by COMIECO – SIECA
		<ul style="list-style-type: none"> • Number of technical regulations and instruments related to SPS* and quality finalised • Number of technical regulations and instruments related to SPS and quality implemented <p><i>Quality is referred here to trade international standard compliance of products</i></p>	<p>Resolutions approved by COMIECO – SIECA</p> <p>Resolutions approved by COMIECO – SIECA</p>
	<p>R2. Policy and regulation Improved trade-related labour and environment compliance, in line with international commitments and the AA</p>	<ul style="list-style-type: none"> • Changes to regulatory framework at national and/or regional level, number of solved cases on trade-related labour and environment issues, number of cases of intra and extra regional cooperation 	<p>Monitoring bodies' reports.</p> <p>Reports of the EU Central America Board on Trade and Sustainable Development</p>
<p>*Sanitary and phyto-sanitary measures</p>			

Sector 2: Security and rule of law			
<p>Specific objectives 1 and 2 (inter-linked): 1.Reinforce the capacity of the region to decrease transnational crime and 2. improve capacities to deliver effective and accountable security and justice services to the population</p>	<p>R1. Prevention</p> <ul style="list-style-type: none"> • An increased number of communities implement comprehensive crime prevention policies • Decrease of youth committing crime and / or becoming a member of gangs • Decrease of gender violence 	<ul style="list-style-type: none"> • Number of persons trained and participating in building peace and prevention strategies • Number of legislative initiatives promoting gender equality and tackling gender-related violence 	<p>EU projects</p> <p>SICA information systems & statistics</p> <p>National/Regional legal acts and statistics</p>
	<p>R2. Reinsertion and rehabilitation</p> <ul style="list-style-type: none"> • Improvement of human rights standards in prison conditions with a special focus on vulnerable groups such as women and juvenile offenders • Creation / improvement of rehabilitation and reinsertion programmes, leading to a reduction of recidivism. 	<ul style="list-style-type: none"> • Number of rehabilitation programs, per country & regional • Number of offenders benefitting from rehabilitation and reinsertion measures, per country & regional • Number of offenders receiving alternative sanctions to prison court rulings per country & regional • Recidivism rate per Central America country & regional 	<p>EU projects</p> <p>SICA statistics</p> <p>National/Regional statistics</p>
	<p>R3. Law enforcement</p> <ul style="list-style-type: none"> • A sustained reduction of homicides and other crimes (robbery; extortion; money laundering and others), on the basis of reliable data, statistics and reporting. • Increased number of cases being investigated and brought before justice, hereby reducing impunity. • Improved regional legal framework and operational cooperation through the implementation of necessary reforms and 	<ul style="list-style-type: none"> • Number of cases of strategic and operational information exchange, mutual legal assistance, extradition and other forms of international police and judicial cooperation, including joint investigation teams • Number of regionally harmonized crime statistics/reports • Public perception of insecurity • Public perception of impunity 	<p>EU projects</p> <p>SICA information systems & statistics</p> <p>National/Regional statistics</p> <p>Regional surveys/polls</p> <p>National/Regional legal acts</p>

	<p>the conclusion of operational agreements.</p> <ul style="list-style-type: none"> • Reduced corruption in state institutions / bodies charged with security and justice. 	<ul style="list-style-type: none"> • Number of cases investigated by law enforcement agencies, prosecuted and ruled 	
	<p>R4. Culture of peace</p> <ul style="list-style-type: none"> • Increased participation of civil society in the decision making and implementation phase of security and justice related policies • Improved attention to victims of criminal violence and of acts of human rights violations. • Reduced perception of corruption and hence an increase in citizens reporting crime taking place / reduction of vigilantism. 	<ul style="list-style-type: none"> • % of citizens reporting a crime per country & regional • Number of victims receiving assistance to victims for human rights violations • Corruption perception index per country & regional 	<p>National/Regional statistics</p> <p>Transparency International</p> <p>SICA information systems & statistics</p> <p>EU projects</p>
Sector 3: Climate change and disaster management			
<p>Specific objective 1: Contribute to address climate change and environmental related issues by supporting the adoption and implementation of adaptation, mitigation and disaster risk reduction measures and promoting low-emission investments</p>	<p>R1. Better environmental governance and mainstreaming of climate change issues in development planning at regional, national and local level in order to reduce damage and loss due to climate – related hazards.</p>	<ul style="list-style-type: none"> • Number of new/updated regional commitments on sustainable management of natural resources. 	<p>SG SICA** information systems</p>
	<p>R2. Build institutional capacity for adaptation to climate change in agriculture, considering specific territorial vulnerabilities (crop production, livestock, fish and aquaculture).</p>	<ul style="list-style-type: none"> • Number of country/regional climate change strategies developed • Number of country/regional climate change strategies implemented 	<p>EU projects</p> <p>SG SICA information systems</p>
	<p>R3. Reduce vulnerability of forest eco-systems, biodiversity, coastal / marine and water</p>	<ul style="list-style-type: none"> • Number/level of fish stocks in coastal zones under the influence of El Niño– Southern Oscillation 	<p>EU projects</p> <p>OSPESCA**** information systems</p> <p>SG SICA information</p>

	resources, by addressing environmental degradation and stimulating the use of ecosystem-based approaches to climate change adaptation.	(ENSO) phenomenon. Forest surface, located around international border areas, subject to community-based protection, maintenance and management	systems
	R4. Foster the use of low-emission technologies and access to financial mechanisms promoting low-emission and climate resilient investments in the region.	Amount of low-emission investments per year	SG SICA information systems CLIMATESCOPE report for Latin America and the Caribbean (IDB)
	R5. Foster greater use of renewable energy sources in regional energy generation grids.	• Number of regional energy generation grids built during 2014-2020	SG SICA information systems CLIMATESCOPE report for Latin America and the Caribbean (IDB)
	R6. Reinforce the implementation at regional and national level of proper disaster risk reduction plans.	• Level of disaster management coordination at regional level in CA* countries. Milestones 1: coordination plan drafted Milestone 2: coordination plan implemented	CEPREDENAC information systems
	R7. Strengthen research, data collection and promote information exchange (including early warning systems) on reducing and managing disaster risk among national and regional institutions.	• Number of CA countries with updated disaster management coordination networking. • Number of regional DRR*** plans for vulnerable coastal cities due to climate change	CEPREDENAC information systems
	R8. Reinforce capacities to take over from humanitarian aid operations attending	• Number of CA countries where disaster early warning systems are in place	CCAD information systems

	victims of large-scale or recurrent disasters.	at intra-regional level.	EU projects
* Central America ** Secretary General of Central American Integration System *** Disaster Risk Reduction **** Central America Fisheries and Aquaculture Organization			

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.
