

## EU development cooperation with Latin America

### SUMMARY

EU development cooperation with Latin America is mainly conducted through the Development Cooperation Instrument (DCI) and its different geographical (regional, sub-regional and bilateral) and thematic programmes.

Nevertheless, the 2014-2020 programming period has brought about the introduction of a new blending financial instrument for the region, the Latin American Investment Facility (LAIF), which combines EU grants with other resources. It has also seen the transition of most Latin American countries away from being eligible for bilateral DCI development aid and towards their inclusion instead in EU bilateral cooperation through the new Partnership Instrument (PI). This poses a series of new challenges but, simultaneously, offers new opportunities by opening cooperation to other areas and sectors.

The European Parliament has a strong involvement in the issues concerning development cooperation. Since 2012, it has adopted a number of resolutions on the topic: one defining a new form of development cooperation with Latin America, another calling for increasing the effectiveness of development cooperation, and a third on achieving policy coherence and enhancing the role of local authorities.



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### Glossary

<b>DCI:</b>	<a href="#">Development Cooperation Instrument</a> . It regulates EU cooperation policy with developing countries. It has a thematic and a geographical component.
<b>EIDHR:</b>	European Instrument for Democracy and Human Rights.
<b>ICSP:</b>	<a href="#">Instrument contributing to Stability and Peace</a> .
<b>INSC:</b>	<a href="#">Instrument for Nuclear Safety Cooperation</a> .
<b>EuropeAid:</b>	European Commission's Directorate General for International Cooperation and Development Cooperation ( <a href="#">DG DEVCO</a> ).
<b>LAIF:</b>	<a href="#">Latin American Investment Facility</a> , a new blending financial instrument.
<b>MFF:</b>	<a href="#">Multiannual Financial Framework</a> . It sets the limits for the annual general budget of the EU, in total and for different areas of activity, over a period of at least five years.
<b>MIP:</b>	Multiannual Indicative Programme. This document sets out the strategies, priority areas and objectives of EU cooperation with a given country or region for several years.
<b>ODA:</b>	<a href="#">official development assistance</a> , provided by <a href="#">official agencies</a> to developing <a href="#">recipient countries</a> , with the promotion of economic development and welfare as its main objectives. It is concessional in character and has a grant element of at least 25 %.
<b>PI:</b>	<a href="#">Partnership Instrument</a> . New instrument for countries of strategic interest to the EU.
<b>TFEU:</b>	<a href="#">Treaty</a> on the Functioning of the European Union (the 'Lisbon Treaty').

## Background

EU cooperation policy is based on the Treaties (Articles 208 to 211, Title III [TFEU](#)), and is financed by the EU budget under Heading 4, 'Global Europe', of the EU [Multiannual Financial Framework](#) (MFF) (with the [exception](#) of ACP countries).<sup>1</sup> The Development Cooperation Instrument ([DCI](#)) is the main legal and financial instrument that currently regulates EU cooperation policy with developing countries. The principles of EU development cooperation are set out in the [European Consensus for Development](#), the Development Cooperation Instrument ([DCI](#)) Regulation and the EU's [Agenda for Change](#). The main current [objectives](#) are 'reducing disparities between people', 'promoting sustainable development', 'addressing climate change and advancing higher education and research'. The European Commission, together with the European External Action Service (EEAS), partner regions and countries, [establishes](#) strategies, priorities and funding allocations. It also tries to ensure coherence and complementarity with other EU efforts in related policy areas. The EU provides [over 50 %](#) of all global development aid.

### EU development cooperation

- Treaty base: Articles 208 to 211, TFEU
- Main instrument: DCI
- Principles set out in European Consensus for Development, DCI Regulation, Agenda for Change
- Established by EC with EEAS, partner regions and countries
- The EU is the main provider of ODA to Latin America and the Caribbean

EU cooperation with Latin America helps the region in its efforts to reduce poverty and promote 'sustainable and inclusive growth in a context of respect for human rights, the rule of law, democracy and other key elements of good governance'. Although the United States remains the biggest single donor country to the region, the [EU](#) (individual EU countries plus the Commission) is the main provider of official development assistance (ODA) to Latin America and the Caribbean (around 47 % of the total). EU [bilateral and regional](#) cooperation with Latin America for 2014-2020 amounts to €2.34 billion, while for 2007-2013 it was €2.1 billion.

### The Development Cooperation Instrument

Through its programmes, the [DCI](#) covers all developing countries, except those eligible for the Pre-Accession Instrument. It has three specific components, of which only the following two cover Latin America:<sup>2</sup>

#### *Geographical programmes*

They serve to cooperate with developing countries and support actions based on the [European Consensus for Development](#) in the following areas:

- human rights, democracy and good governance,
- inclusive and sustainable growth for human development,
- migration and asylum,
- the link between humanitarian relief and development cooperation,
- resilience and disaster risk reduction,
- development and security, including conflict prevention.

In order to reduce aid fragmentation, the [DCI 2014-2020](#) foresees that geographical programmes should focus on no more than three sectors per country or region.

#### *Thematic programmes*

All developing countries – including those covered by the European Neighbourhood and Partnership Instrument ([ENPI](#)) and the European Development Fund ([EDF](#)) – are eligible for these programmes, which serve to complement and add value and coherence to the geographical programmes; they are sub-divided in two categories:

- **global public goods and challenges:** activities focused on climate change, the environment, energy, human development, food security and migration in a way that is coherent with the poverty reduction objective. A minimum of 27 % is spent on objectives related to climate change and the environment;
- **civil society organisations and local authorities:** activities providing additional support to civil society and local authorities, enabling them to play a bigger role in development strategies.

**Figure 1 – DCI programming documents**

Main DCI programming documents

- **multiannual indicative programmes**, comprising several years, with specific objectives and focal areas for funding for each region, country or thematic programme targeted;
- **annual action programmes**, specifying objectives, fields of intervention, results expected, management procedures and total funding allocated;
- **annual work programmes** for grants, indicating the legislation, objectives, schedule for calls for proposals, indicative amount and expected result.

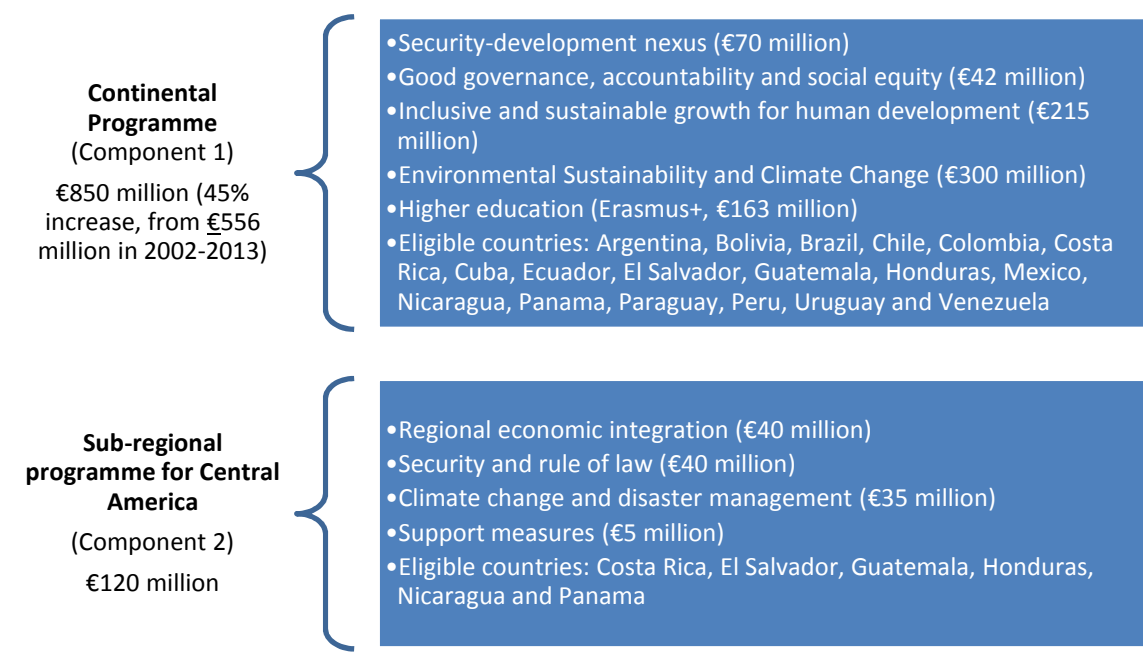
Source: European Commission, [EuropeAid website](#), funding instruments, programming.

## Regional cooperation

### The 2014-2020 Multiannual Indicative Programme (MIP) for Latin America

Latin America will receive €925 million of the €19.6 billion total budget allocated under the DCI for 2014-2020. There is only one sub-regional programme – for Central America. Indicative allocations are distributed as follows:

**Figure 2 – [MIP 2014-2020 for Latin America](#): indicative allocations by component and priority area**



Source: European Commission, Latin America regional cooperation, [funding](#).

The entities eligible for funding are partner countries and regions and their institutions; decentralised bodies in the partner countries; joint bodies set up between the partner countries and regions and the EU; non-state actors; international organisations; and EU agencies.

Though included in [ACP](#) cooperation, [CARIFORUM](#) states can be considered for participation in Component 1 on a case-by-case basis.

### Main regional programmes

The first [regional programmes](#) for Latin America date from the early 1990s, focusing on higher education, support for small and medium-sized enterprises, and local urban development. To respond to new challenges, their coverage was extended to new areas in the early 2000s, among them cooperation initiatives to translate the [priorities](#) of the EU-Latin American and Caribbean [summits](#) into concrete actions.

#### 2007-2013

Each of the three priorities identified for the [2007-2013](#) period was addressed by several regional programmes, with a total EU contribution of €556 million:

**Figure 3 - 2007-2013 priorities and programmes**

Social cohesion	Regional programmes:
	<ul style="list-style-type: none"> <li>•AL-INVEST, aimed at facilitating the internationalisation of Latin American SMEs</li> <li>•EUROsociAL, to help change public policies that contribute to social cohesion</li> <li>•Urb-AL, a cooperation programme involving EU and LA local and regional authorities</li> <li>•@LIS 2, to promote the information society and fight the digital divide in Latin America</li> </ul>
Sustainable development	Regional programmes:
	<ul style="list-style-type: none"> <li>•EUROCLIMA, a regional cooperation programme focused on climate change, extended to 2016</li> <li>•EURO-SOLAR, to promote renewable energies in the eight most disadvantaged LA countries</li> <li>•FLEGT South America, to improve forest management and control the origin of timber</li> <li>•RALCEA, to create a Latin American network of centres of excellence in the water sector</li> </ul>
Promotion of higher education and research	Regional programmes:
	<ul style="list-style-type: none"> <li>•ALFA, to promote higher education to help social and economic development and fight against social inequality in Latin America</li> <li>•ERASMUS MUNDUS-Action 2, partnerships with third-country higher education institutions and scholarships for mobility</li> </ul>
EU-CELAC related programmes	Regional programmes:
	<ul style="list-style-type: none"> <li>•COPOLAD, cooperation programme on drugs policies</li> <li>•EU-CELAC migration project aimed at strengthening dialogue and cooperation; establishing management models on migration; and drafting development policies</li> </ul>

Links: [AL-INVEST](#), [EUROsociAL](#), [Urb-AL](#), [@LIS 2](#), [EUROCLIMA](#), [EURO-SOLAR](#), [FLEGT South America](#), [RALCEA](#), [ALFA](#), [ERASMUS MUNDUS-Action 2](#), [COPOLAD](#), [EU-CELAC migration project](#).

## 2014

In its [Annual Action Programme 2014](#) for Latin America, the European Commission selected as objectives to be financed under the DCI those related to two of the five priorities of the Multiannual Indicative Programme 2014-2020, comprising three regional actions, with a maximum EU contribution of €66 million:

**Figure 4 - Priorities and programmes 2014**

Security-development nexus priority	Regional programme:
	<ul style="list-style-type: none"> <li>•COPOLAD II, Cooperation programme on drugs policies between Latin America, the Caribbean and the EU, to support the capacities of beneficiary states and communities to develop integrated, balanced and human rights-based national drug policies.</li> </ul>
Inclusive and sustainable growth for human development	Regional programmes:
	<ul style="list-style-type: none"> <li>•AL-INVEST 5.0: Inclusive Growth for Social Cohesion, aimed at improving productivity of micro, small and medium-sized enterprises</li> <li>•Latin American Investment Facility (LAIF), a blending facility for investment in infrastructure and support to the public sector</li> </ul>

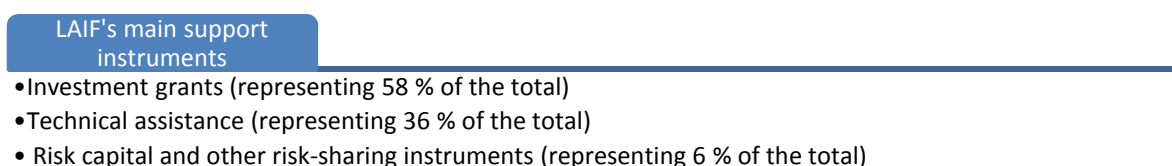
Links: [COPOLAD II](#), [AL-INVEST 5.0](#), [LAIF](#). Source: European Commission, [Implementing Decision](#) of 4 December 2014 on the AAP 2014 in favour of the Latin American region.

## The Latin American Investment Facility (LAIF)

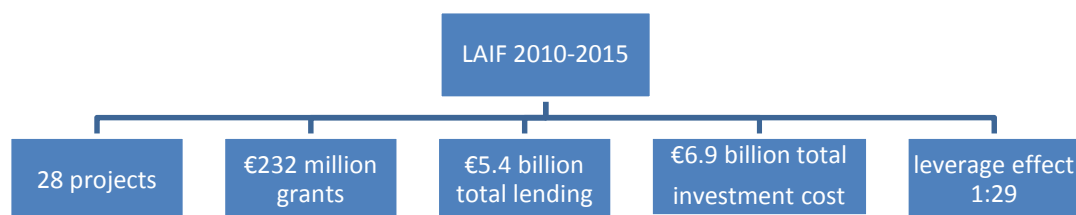
Officially launched at the 2010 EU-LAC summit, the Latin American Investment Facility ([LAIF](#)) is a new 'blending' financial [instrument](#), combining grants (non-refundable EU contributions) with other resources, such as loans, to obtain additional financing for development, thus increasing the impact of EU aid. The 18 Latin American countries<sup>3</sup> are eligible, and regional projects can also benefit from it. Its main target sectors, according to the priorities laid out by the 2014-2020 MFF, are: agriculture, climate change, energy,

the environment, information and communication technologies (ICT), transport, small and medium-sized enterprises and social services. The corresponding EU resources come from the DCI. LAIF gathers resources from EU grants to leverage loans from multilateral and bilateral European financial institutions (including the [EIB](#)), and regional and multilateral development banks. Frequently, there are also contributions from partner countries and Latin American beneficiary institutions. LAIF has been [criticised](#), among other things, for giving [too much power](#) to European financial institutions, for not assigning Latin American governments a direct role, for not consulting with civil society, and for excessively benefiting the corporate sector.

**Figure 5 – LAIF’s composition by support instrument**



**Figure 6 - Global numbers for LAIF between 2010 and 2015**



Source: European Commission, [LAIF Operational report 2015](#).

**Figure 7 - Total volume of LAIF contributions approved as of 31 December 2015**

Country/Region	Number of projects	Total volume
Bolivia	1	€8 million
Brazil	1	€1.5 million
Chile	1	€15 million
Colombia	2	€9.5 million
El Salvador	2	€10 million
Honduras	1	€10 million
Mexico	4	€23 million
Nicaragua	2	€57 million
Paraguay	1	€10 million
Peru	1	€3 million
Regional/Central America	2	€6.8 million
Regional/Latin America*	9	€78.2 million

\* One of the projects received two LAIF contributions (one for technical assistance in 2014 and one investment grant in 2015). Source: European Commission, [LAIF operational report 2015](#).

**The new [Partnership Instrument \(PI\)](#) for cooperation with third countries**

The [PI](#) is an [innovative instrument](#) for external action-supporting measures aimed at achieving the objectives arising from the EU's bilateral, regional or multilateral relationships with third countries in an effective and flexible way. It was first included in the MFF 2014-2020, to address challenges of global concern and ensure an adequate follow-up of multilateral decisions. It has a different approach to established models of development cooperation, by focusing on countries of strategic interest to the EU. It supports, among other things, new relationships with emerging partners and countries (most Latin American countries and Mercosur as a sub-region) that are no longer eligible for bilateral development aid because they have become upper-middle income. It has four headline objectives: 1) supporting the Union's bilateral, regional, and inter-regional co-operation partnership strategies by developing collective approaches and responses to challenges of global concern (energy, climate change and the environment); 2) implementing the international dimension of the [Europe 2020](#) strategy for smart, sustainable and inclusive growth; 3) improving market access and developing trade, investment and business opportunities for European companies (including SMEs) by means of economic partnerships; and 4) enhancing widespread understanding and visibility of the Union and its role on the world scene, notably via [public diplomacy](#) and [higher education cooperation](#).

Out of a total of €960.4 million in indicative [financial allocations](#) for 2014-2020, more than a third (€328 million) has been earmarked for the Americas. Current PI actions specifically targeting Latin America include:

- a 'sustainable and climate-friendly phase-out of ozone-depleting substances' ([SPODS](#)), with the participation of Mexico, Colombia, Paraguay, Costa Rica, Venezuela, Cuba and Grenada, and a total EU contribution of €3 million;
- '[low-carbon business action](#) in Brazil and Mexico, phase 2', with a total EU contribution of €7.5 million;
- '[IP Key Latin America](#)', aimed at improving the situation of intellectual property protection and enforcement in the region, with the participation of the Andean Community, Central America, Chile, Mercosur and Mexico (16 countries) and a total EU budget contribution of €5 million.

**New EU regional programmes for Latin America**

At the EU-CELAC ministerial meeting held on 25-26 October 2016 in Santo Domingo, the EU announced [new programmes](#) to support sustainable development in Latin America, allocating €30 million for two main programmes:

*El Pacto*

A continent-wide security programme with a €20 million budget, it will cover the 18 Latin American countries eligible under the DCI, and will be the first EU cooperation programme in the region to cover all the elements of the penal chain: police, justice and the penitentiary system.

*South-South and triangular cooperation support*

A programme to support [South-South](#) and [triangular cooperation](#) initiatives in various fields (such as agriculture and private sector development), as well as peer-learning consolidation among countries and joint cooperation with emerging donors.

**Bilateral cooperation**

Due to the differentiation approach<sup>4</sup> introduced by the [Agenda for Change](#), bilateral aid to more prosperous countries, such as Argentina, Brazil, Chile, Costa Rica, Mexico, Panama, Uruguay and Venezuela, was discontinued from 2014. Nevertheless, they still benefit from regional and thematic programmes, and dialogue on cooperation will go on under the EU-CELAC strategic partnership. The European Commission is also exploring



new areas of mutual interest with these countries in the context of tri-lateral and South-South cooperation. On the other hand, bilateral cooperation under the DCI will continue with Bolivia, Cuba, El Salvador, Guatemala, Honduras, Nicaragua and Paraguay during the whole programming period (2014-2020), and will be gradually phased out by the end of 2017 with Colombia, Ecuador and Peru – with a total allocation of €1 478 million, which is €407.5 million less than in 2007-2013.

**Figure 8 - DCI bilateral assistance by country, 2007-2013 and 2014-2020 (€ million)**

Country	2007-2013	2014-2020	Eligible?
Bolivia	249	281	Yes
Brazil	61	0	No
Chile	20.5	0	No
Colombia	163	67	Up to 2017
Costa Rica	34	0	No
Cuba	90	55	Yes
Ecuador	141	67	Up to 2017
El Salvador	121	149	Yes
Guatemala	135	186	Yes
Honduras	223	235	Yes
Mexico	55	0	No
Nicaragua	214	204	Yes
Panama	38	0	No
Paraguay	130	168	Yes
Peru	135	66	Up to 2017
Uruguay	36	0	No
Venezuela	40	0	No

Source: [EuropeAid country pages](#).

Latin American countries also receive funds from other instruments, such as the European Instrument for Democracy and Human Rights ([EIDHR](#)), the Instrument contributing to Stability and Peace ([ICSP](#)), the Instrument for Nuclear Safety Cooperation ([INSC](#)), and EU [humanitarian aid](#).

**Figure 9 - 2015 breakdown of development aid commitments by country (€ million)**

Country	DCI-Geo	DCI-Thema	EIDHR	ICSP	INSC	Humanitarian Aid	Other	Total
Bolivia	20							20
Brazil	0	4						4
Colombia	67			5			2	74
Cuba	8							8
El Salvador	5							5
Guatemala	5					2		7
Honduras	30					2		32
Nicaragua	20	0						20
Paraguay	2							2
Peru	43							43

Source: [2016 Annual Report](#) on the implementation of the EU's instruments for financing external actions in 2015, SWD, Part 2.



Figure 10 - 2015 breakdown of development aid disbursements by country (€ million)

Country	DCI-Geo	DCI-Thema	EIDHR	ICSP	INSC	Humanitarian Aid	Other	Total
Argentina	5	1	1			1		8
Bolivia	36	4	0	0		5	0	46
Brazil	2	11	1	0	2		1	18
Chile		2	0			0	4	6
Colombia	32	4	2	3		11	1	53
Costa Rica	10		0					10
Cuba	7	5				2		13
Ecuador	10	3	0			3		16
El Salvador	10	3	1	1				15
Guatemala	14	3	1			3		22
Honduras	39	2	1					42
Mexico	6	1	1		1			10
Nicaragua	33	6	1	0			0	40
Panama		3						3
Paraguay	16	0	0			2	0	19
Peru	18	3	2	0		2		25
Uruguay	4	1	0					5
Venezuela	0	1	0			1		2

Source: [2016 Annual Report](#) on the implementation of the EU's instruments for financing external actions in 2015, SWD, Part 2.

### The EU Trust Fund for Colombia

The EU [Trust Fund for Colombia](#) was launched in Brussels on 12 December 2016, to [support](#) the implementation of the peace agreement in the early recovery and stabilisation post-conflict period. By [December 2016](#), the EU had contributed with €72 million, and 19 Member States had confirmed their financial participation for a total amount of € 22 859 000.

### Project funding, selection, management and implementation

EU [funding](#) can take the form of [grants](#) or [contracts](#), budget support to national treasuries, or support to specific sectors in partner countries. Project selection follows established [procedures](#), which [differ](#) according to the category of contract, source of the money and year. [Rules on nationality](#) and origin normally apply, as well as [exclusion criteria](#). Tenders must be examined by an [evaluation committee](#), and the capacity of the candidate or tenderer to implement the contract is always assessed on the basis of objective [selection](#) and [award](#) criteria. After the Commission makes and approves the award decision, the successful tenderer must be [notified](#), a [contract](#) must be prepared and signed, and the award decision must be [published](#), to comply with the transparency principle. Projects can be managed and implemented in [various ways](#): a) directly by the European Commission, either from Brussels or by the EU Delegations on the ground, or through European executive agencies; b) indirectly, by delegating the task to Member States' development cooperation agencies, recipient country governments (or bodies designated by them), international organisations, development agencies of EU Member States ([AECID](#), [AFD](#), [GIZ](#), and so forth) or other bodies; c) in a shared way, by delegating implementation tasks to EU Member States (rarely used in external actions). [NGOs](#) were the main non-state actors involved in executing bilateral funding in Latin America under

the programming exercise 2007-2013. Finally, EU-funded projects and programmes are [evaluated](#) during and after their implementation.

### The European Investment Bank

The [EIB](#) lends to 17 LA countries (except Cuba), to support EU cooperation strategies and complement other EU development and cooperation programmes and instruments in the region. Since 1993, it has supported 92 projects with around €7 billion in 14 countries, mainly in the energy, telecommunications and industry sectors. The EIB has also signed a [memorandum of understanding](#) with the Inter-American Development Bank ([IADB](#)), to coordinate the financing of projects of common interest in the region.

### The role of the European Parliament

Development cooperation is one of the few foreign policy areas where the [Parliament](#) acts as a co-legislator with the Council of the EU (ordinary legislative procedure, Article 209 [TFEU](#)). In 2014, Parliament's Development Committee (DEVE) and the European Commission held their first strategic dialogue, which allowed the Parliament to participate in the decision-making process for the DCI programming documents. Regarding scrutiny over policy implementation, the Parliament has the right to question the Commission and to object to a proposed implementing decision when it considers that objectives other than development are promoted by the proposals, or that the Commission is exceeding its jurisdiction; Parliament also exerts control by holding regular discussions with the Commission. [Parliament](#) has to give its consent for the adoption of the MFF (Article 312 [TFEU](#)); it can reject the annual EU budget (Article 314 [TFEU](#)) and it has the right to grant discharge on the Commission's development expenditure.

In recent years, Parliament has been active in this field. On 6 October 2015, it adopted a [resolution](#) on the role of local authorities in developing countries, underlining their role as actors for development. On 7 June and 12 May 2016 respectively, a resolution on [policy coherence](#) for development, reiterating its importance as a key element for delivering and achieving the new sustainable development agenda, and another one on the [follow-up](#) to and review of the 2030 Agenda for Sustainable Development. And on 22 November 2016, a [resolution](#) on increasing the effectiveness of development cooperation, calling, inter alia, for the use of all development policy tools for poverty eradication and the promotion of the UN sustainable development goals (SDGs), and noting the Mexican proposal for inclusion of a fifth ('[leave no-one behind](#)') development principle.

As far as **Latin America** in particular is concerned, the last relevant [resolution](#) adopted by the EP on the subject, on defining a new development cooperation with the region, dates back to 12 June 2012. While welcoming the principle of differentiation and concentration of aid introduced by the Commission, the Parliament insisted that the DCI must integrate social cohesion objectives more efficiently in its programmes. It furthermore insisted on the need to revise and broaden the indicators used for assessing development, recalling the importance of avoiding the potential negative effects for the region of the exclusion of 11 countries from the EU's bilateral cooperation. The Parliament considered that the EU should continue bilateral cooperation at least with Colombia, Ecuador and Peru.

In this same resolution, Parliament stressed the need to boost the Partnership Instrument. It also pointed out that the EU's association/free trade agreements must not conflict with the objective of [policy coherence for development](#) (PCD) and underlined the value of the presence of the EU and three Latin American countries (Argentina, Brazil and

Mexico) in the G20 as a contributing factor for the joint implementation of the PCD. Moreover, it noted the increasing importance of blending mechanisms, such as the LAIF, and of regional, South-South and triangular cooperation. Last, but not least, it emphasised the need to widen the EU-Latin America political dialogue at different levels (summits of heads of state, EUROLAT); and recalled the important role of civil society.

The Parliament also deals with development cooperation issues in the framework of the Euro-Latin American Parliamentary Assembly ([EuroLat](#)) – the parliamentary institution of the bi-regional [strategic partnership](#), which adopts resolutions and recommendations and presents proposals and suggestions to the summits of heads of state or government and to ministerial meetings. On 22 September 2016, the EuroLat Assembly adopted a [resolution](#) on combating poverty as part of the SDGs laid out in the UN's 2030 Agenda for Sustainable Development. Cooperation issues are also discussed by the Parliament's delegations for relations with [different](#) Latin American countries and regional organisations (Chile, Mexico, Brazil, Central America, Andean Community and Mercosur) and their Latin American counterparts.

## Outlook

EU [development cooperation](#) with [Latin America](#) started in 1976, with the launch of a financial and technical assistance programme with developing countries in Asia and Latin America ([DC-ALA Regulation](#)); cooperation at regional level only began in the 1990s. In 2007, DC-ALA was replaced by the Development Cooperation Instrument (DCI), which has recently undergone a fundamental change due to the EU's new emphasis on '[differentiation](#)' in the field of bilateral development cooperation for the programming period 2014-2020. Under this new approach, resources will be channelled to those countries that need them most for reducing poverty, and cooperation with upper middle-income and big emerging countries will be established on a more equal footing through new instruments. As a result, an increasing number of countries are no longer eligible, or will gradually become ineligible, for bilateral cooperation under the DCI.

Since most Latin American countries are currently classified as upper middle-income, they have started receiving funding from two main [instruments](#), the DCI and the Partnership Instrument. Their simultaneous implementation poses considerable challenges, as it implies in some cases that countries belonging to the same sub-regional grouping are treated differently (Paraguay compared to the remaining Mercosur countries; Costa Rica and Panama compared to the other Central American countries; Bolivia compared to the other Andean countries as of 2018). It also means that the bilateral cooperation priorities and sectors are no longer the same for all Latin American countries, with the existence of a development cooperation agenda for a group of lower-income countries under the DCI and an association/cooperation agenda for the higher-income countries. Another problem is – as the European Parliament pointed out in its 2012 resolution – that the indicators used for the classification of some countries as upper middle-income do not take into account sufficiently the [existing inequalities](#) within them.

As regards the new instruments, one of the main challenges is posed by the fact that the Partnership Instrument does not allocate a fixed amount of funds to each country, and that this could therefore lead to unfair, asymmetrical competition between industrialised and middle-income countries or between strategic and peripheral ones. Another such challenge stems from the risk that LAIF may give [too much power](#) to European financial institutions and excessive benefits to the corporate sector, while not taking sufficient account of Latin American governments and civil society.

On the other hand, regional and sub-regional programming is becoming increasingly important for establishing a common development agenda shared by all Latin American countries. The strategic bi-regional [partnership](#) between the EU and the Community of Latin American and Caribbean States (CELAC) could greatly facilitate this process. Besides, the transition to a higher standard of living that most Latin American countries are experiencing, coupled with the increased flexibility offered by the Partnership Instrument and the leverage effect of the LAIF blending facility, offers the opportunity for cooperation with the region in areas not necessarily linked to traditional ODA and to sectors that have usually been excluded from such funding, yet are key to development. The new emphasis in [South-South](#) and trilateral cooperation, shared by the European Parliament in its 2012 [resolution](#) on EU foreign policy towards the BRICS and other emerging powers, also opens a new range of cooperation opportunities in the region.

### Main references

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### Endnotes

<sup>1</sup> Development aid to ACP countries is provided mainly through the European Development Fund, directly financed by the EU Member States and managed outside the framework of the EU general budget.

<sup>2</sup> The last and third component is a new pan-African programme, aimed at supporting the EU-Africa strategic partnership, and thus only applicable to this continent.

<sup>3</sup> Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

<sup>4</sup> As differentiation between developing countries grows, the EU wants to target its resources where they can have the greatest impact and are most needed to reduce poverty. Countries able to generate enough own resources, or being on sustained growth paths will receive less or no development grant aid, and their development partnership will be based on loans, technical cooperation or support for trilateral cooperation.

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