



# A new cycle in Euro-Latin American cooperation: shared values and interests

*Tobias Jung Altrogge*

Director of Strategy and Communication at the Fundación Internacional  
y para Iberoamérica de Administración y Políticas Públicas

Tobias.Jung[@]fiiapp.es

## Abstract

The global pandemic produced the biggest recession in 200 years in the region of Latin America and the Caribbean, where previous years already presented limited economic growth and increased social tensions, based on historic structural gaps in terms of inequalities, disparities in the access to services and rights, reduced fiscal space and redistribution, informal labour markets and low productivity.

A geopolitical foreign policy of the European Union that competes with China and the United States in Latin America and the Caribbean shall concentrate on shared values with the region, committing with multilateralism and regional integration, public policies and social market economy, rule of law and social and territorial cohesion as guarantee for stability and condition for a green and digital recovery that is sustainable and inclusive.

Beyond the reduced financial allocation for the region in the multiannual financial framework 2021-2027 of the European Union, the NDICI and the EFSD+ offer to the Union adequate tools to reinforce the partnership with Latin America and the Caribbean and to impact on development, if applied with the *policy first* principle.

## Keywords

Social cohesion, *policy first*, values, Team Europe, public sector expertise.

## Resumen

La pandemia global ha provocado la mayor contracción en 200 años en América Latina y el Caribe, región que en los últimos años ya presentaba un crecimiento económico reducido y tensiones sociales al alza, debido a las brechas estructurales históricas en materia de desigualdades, diferencias en el acceso a servicios y derechos, limitado espacio fiscal y una reducida capacidad de redistribución, informalidad laboral y una productividad limitada.

Si la Unión Europea quiere competir geoestratégicamente con China y Estados Unidos en América Latina y el Caribe, deberá apostar por los valores compartidos con la región, por el multilateralismo y la integración regional, por las políticas públicas y la economía social de mercado, por el Estado de derecho, y la cohesión social y territorial como garantes de estabilidad y condición previa para una recuperación verde y digital sostenible e inclusiva.

Más allá de la reducida asignación presupuestaria para la región en el marco financiero 2021-2027 de la Unión Europea, el NDICI y el EFSD+ ofrecen a la Unión Europea las herramientas adecuadas para reforzar las alianzas con América Latina y el Caribe y contribuir a su desarrollo, siempre y cuando se apliquen mediante el prisma del principio del enfoque de políticas o *policy first*.

## Palabras clave

Cohesión social, diálogo de políticas, valores, Equipo Europa, cooperación técnica pública

## Tobias Jung Altrogge

Director of Strategy and Communication at the Fundación Internacional y para Iberoamérica de Administración y Políticas Públicas (FIIAPP). He has more than 15 years of professional experience in European Union cooperation programmes. He has published numerous articles on development effectiveness, as well as on public sector expertise in international cooperation. He was head of the Spanish Cooperation office in Brussels and has coordinated different units at FIIAPP headquarters in Madrid. He holds a degree in Latin American Studies from the University of Cologne and has a Master's Degree in International Studies from the Diplomatic School.

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## 1. Introduction<sup>1</sup>

This working document<sup>2</sup> addresses the impact of the European Union's 2021-2027 financial framework and the geostrategic priorities of the new European Commission on Euro-Latin American cooperation. Within the framework of a broader debate on the role of development cooperation in external action, for the “decade of action” of the 2030 Agenda for Sustainable Development and as a tool to contribute to a sustainable and inclusive recovery from the effects of the pandemic in Latin America and the Caribbean, the different sections of the document are analysed from the perspective of:

- The disappearance of the graduation principle and the opportunities for new European Union external financing instruments in relations with a region characterised by “development in transition”.
- The risks of reducing the budget allocation for the region and the challenges of mobilising additional resources for development.
- The participatory approach of “Team Europe” and inclusiveness in cooperation with the region.
- Thematic priorities in Euro-Latin American relations, with social cohesion and the rule of law as distinctive elements in the space of shared values.
- The impact of the prioritisation of the geographic focus in the European Union's programming and its risks for bi-regional relations.
- The relevance of the *policy first* approach and public technical cooperation for a re-politicisation of bi-regional relations and for a joint commitment to rule-based multilateralism.

The analysis of these elements crystallises a series of values and interests to which the European Union should commit in order to strengthen its partnership with Latin America and the Caribbean and to contribute to a recovery from the pandemic in the region, which builds on new social pacts.

## 2. The new cooperation instruments of the European Union (NDICI and EFSD+)

For the 2021-2027 financial framework, the European Commission proposed a review of its financing instruments, including a simplification of the instruments dedicated to external action. The main external innovation is the creation of the Neighbourhood, Development and International Cooperation Instrument (NDICI), which merges most of the geographic and thematic instruments that existed in the previous financial framework, including the budgetisation of the European Development Fund.

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This proposal responds to the need to improve flexibility in the allocation of funds between geographical and thematic areas, and to address global challenges and the shared roadmap around the Sustainable Development Goals (SDGs), the 2030 Agenda for Sustainable Development and the Paris Agreement. As analysed by Sanahuja and Ruiz Sandoval (2019), the new European Development Consensus played a fundamental role in the definition of the NDICI.

The initial European Commission proposal was made in 2018, prior to the European Parliament elections, the taking office of the von der Leyen Commission, the materialisation of Brexit and the appearance of the COVID-19 global pandemic. These four factors have strongly impacted on emerging priorities, which have been translated into the final agreement on the NDICI, which has emerged from the so-called “trilogues” between the Council, Parliament and the Commission. The entry into force of the NDICI will take place in mid-2021, although retroactively and with the addition of “Global Europe” to the acronym.

In relation to Latin America and the Caribbean, the main changes taking place in the NDICI and European Commission’s geostrategic priorities are highlighted below. This working document is structured around these points.

1. The graduation principle has disappeared, enabling the financing of cooperation initiatives with upper-middle-income countries. The integration of instruments also offers opportunities to better address multidimensional and multisectoral challenges. However, the percentage of Official Development Assistance (ODA) provided for maintains its limiting impact on the budget allocated to the region. In particular, Chile and Uruguay are excluded from bilateral programming, while Mexico and Argentina maintain a budgetary allocation within the framework of regional programmes (although the door remains open to the elaboration of “mini” multi-year indicative programmes).

2. More with less: Compared to the 2014-2020 financial framework, the budget allocated to the region has been disproportionately reduced compared to changes in the allocation for other regions (-14%). The €3.395 billion for the region includes a specific allocation for the Caribbean (at the request of the European Parliament) and broadens the geographic focus to cooperation actions with the United States and Canada. On the other hand, the European Union intends to strengthen the leverage effect of private sector financing, especially through the new European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee, included in the NDICI.

3. Thematic priorities: The NDICI establishes spending goals by sector priorities. At a minimum, allocations will be made at a quota of 10% for migration, 25% for climate change, 20% for human development and 10% for education. Regarding gender equality, it has been established that at least 85% of the actions have as their main or significant objective the empowerment of women and girls and gender equality. In addition, 92% of the funds will be computed as ODA. In this way, the instrument determines a series of priorities in the possible Euro-Latin American cooperation agenda. Additionally, the von der Leyen Commission establishes lines of action for a stronger Europe in the world, which focus cooperation with the region on: (i) green alliances, (ii) digital alliances, (iii) employment and sustainable growth, (iv) migration and forced displacement, (v) governance and human development, (vi) resilience, peace and security.

4. “Geographisation”: The Directorate-General for International Partnerships (INTPA), formerly the Development Cooperation Directorate (DEVCO) —as the European Commission’s service for the implementation of cooperation funds with Latin America and the Caribbean (in addition to other areas)— establishes the principle of “geographisation” as a priority for budget allocation and the multi-year programming exercise which is currently underway. Such “geographisation” implies the

programming of most resources with a geographic focus, reducing the amount available for thematic programmes, in addition to concentrating the funds in bilateral actions, accompanied by sovereign guarantees, to the detriment of regional or multi-country actions, which will require an additional justification on the basis of subsidiarity. In this way, it is intended that such actions take on greater geopolitical relevance, increasing their impact and the European Union’s capacity for influence.

5. *Policy first*: INTPA defines itself as a political directorate. This implies that the European Union’s external action priorities guide the programming and implementation of the funds in a much stronger fashion, as well as the investment framework. The European Commission intends to prioritise actions based on its values and interests, as well as the needs of partner countries.

6. *Team Europe and the “co-creation” principle*: In preparing the current external funds programming process, INTPA has identified *flagship programmes*, of shared interest between member states and the European Commission, which also have a substantial potential to mobilise additional financial resources, including financial cooperation and private investment. With the joint Communication from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, the “EU Global Response to COVID-19” (European Commission, 2020), these proposals were rebranded as “Team Europe initiatives” under the overall logic of working better together with a “Team Europe approach”. Through working together, the intention is once again to ensure greater impact and the concentration of resources on geostrategic priorities.

In addition to the geographic budget allocation to the Americas and the Caribbean, as described in the following table, the European Commission may finance cooperation actions in Latin America and the Caribbean under the thematic programmes, rapid response pillar for situations of crisis or emergency and the flexibility cushion, designed to address emerging challenges, unforeseen circumstances or new priorities.

**TABLE 1. NDICI budget breakdown**

NDICI amounts <i>Current prices, million euros</i>	
<b>NDICI total amount</b>	<b>79.462</b>
<b>Geographic programmes</b>	<b>60.388</b>
Neighbourhood	at least 19.323
Sub-Saharan Africa	at least 29.181
Asia and the Pacific	8.489
<i>of which: the Pacific</i>	<i>at least 500</i>
Americas and the Caribbean	3.395
<i>of which: the Caribbean</i>	<i>at least 800</i>
<i>of which: contribution to Erasmus+</i>	<i>1.800</i>
<i>of which: for local authorities</i>	<i>at least 500</i>
<i>of which: for provisioning the External Action Guarantee</i>	<i>up to 10.000</i>
<i>External Action Guarantee</i>	<i>up to 53.449</i>
<i>of which: for the EIB</i>	<i>26.725</i>

<b>Thematic programmes</b>	<b>6,358</b>
Human Rights and Democracy	1,362
<i>of which: support to electoral observation missions</i>	<i>up to 25%</i>
Civil Society Organisations	1,362
Peace, Stability and Conflict Prevention	908
Global Challenges	2,726

<b>Rapid response actions</b>	<b>3,182</b>
<i>Crisis response</i>	<i>1,768</i>
<i>Resilience and linking humanitarian aid and development action</i>	<i>1,080</i>
<i>Foreign policy needs and priorities</i>	<i>334</i>

<b>Emerging challenges and priorities cushion</b>	<b>9,534</b>
<i>of which: for Human Rights and Democracy</i>	<i>at least 200</i>
<i>of which: for Civil Society Organisations</i>	<i>at least 200</i>
<i>of which: for Global Challenges</i>	<i>at least 600</i>

<b>Spending targets and cap</b>	
Official Development Assistance	At least 93% of total amount
Climate	30% of total amount
Human development	At least 20% of ODA funding
Migration	10% of total amount
Gender	At least 85% of actions
CBDS actions	Up to 270 million

Source: European Commission, 2021.

### **3. Policy first or the importance of policy dialogue, partnerships and public sector expertise in cooperation with Latin America and the Caribbean**

A European Union that aims to have a greater geopolitical impact on a global scale must necessarily strengthen its partnerships with the countries with which it shares agendas in the multilateral sphere. This is especially significant for INTPA, as the directorate in charge of international partnerships. The recent European Union strategy for rules-based multilateralism highlights the need to strengthen cooperation with partners in upholding universal principles and rules (European Commission, 2021c).

In this context, Latin America and the Caribbean is a region characterised by its particular closeness with the EU. But, in addition, there are other more immediate development imperatives: it is the region most affected in the developing world by the COVID-19 crisis. The global pandemic has caused the biggest slump in in the region in 200 years, with a fall in GDP of 7.4% in 2020. For 2021, a moderate recovery is expected with GDP growing by 4.1% (IADB, 2021).

Since the end of the 2008-2009 financial crisis, growth in the region has been losing steam, with inequality raising in the region since 2014, and increasing levels of poverty, extremely high levels of job destruction, an uptick in social tensions and a loss of trust in institutions. The socio-economic impact of the pandemic has not been the same in the different countries, some of which have shown a greater capacity to react to the health emergency and to support the sectors most in need. The magnitude of the crisis' impact has been determined by structural factors such as the degree to which a country is integrated into the international economy, its productive structure and the level of formalisation of its labour markets (ECLAC, 2020).

The historical structural weaknesses and gaps in the region (inequalities, differences in access to services and rights, limited fiscal space and reduced redistribution capacity, labour informality, reduced productivity) have been carefully analysed, highlighting recurring elements that explain the fragility of economic growth in the region, the challenges of the sustainable and inclusive reactivation of the economy and the importance of continuing to support international concessional financing mechanisms in support of more advanced developing countries or those in “transition”.

The report *Latin-American Economic Outlook* (OECD, 2019) presents four development traps in terms of productivity, social, institutional and environmental vulnerability, which erode social and territorial cohesion in the region, undermining the economic model (social market economy) and the political model (democracy), with enormous potential for populism and instability. To these traps, we must add gender equality as a structural challenge that substantially impacts the region.

In this sense, the reduction in budget allocations for Latin American and Caribbean countries and the prioritisation of other regions may contradict the EU's objective of strengthening partnership with like-minded countries and responding to a broader development agenda. The “growing irrelevance of Latin America” (Schenoni and Malamud, 2021) to the European Union is due above all to the absence of major conflicts in the region, and its lesser integration into global production chains, among other factors. From the point of view of the objectives of the NDICI and the development gaps mentioned above, this reduction in funds is likewise not coherent. However, the potential geopolitical impact of the funds allocated to the region does not depend exclusively on the budgeted amount, but also on the way in which they are used. The *policy first* principle or policy approach is especially significant for a region with indices of democracy (Economist Intelligence Unit), institutional maturity (*Worldwide Governance Indicators* of the World Bank) and per capita income above other priority regions for European cooperation, such as the Southern Neighbourhood or Sub-Saharan Africa.

The recent update of the European Commission guide on joint programming and implementation (European Commission, 2021b) recognises the virtuous relationship between policy dialogues, built on partnerships between public administrations, and the impact of technical and financial cooperation prioritised on the basis of these dialogues. It develops the cooperation methods of Article 26 of the NDICI, which prominently includes triangular cooperation agreements and administrative cooperation measures, such as twinning between public institutions and cooperation measures in which public sector experts from the EU member states participate.

Current public technical cooperation programmes between the European Union and Latin America and the Caribbean offer relevant practices in the prioritising of actions through policy dialogues with the centres of government of the region's countries.

The establishment of stable mechanisms for policy dialogue (“*mesas* Team Europe”) at which administrations of the European Union and Latin America and the Caribbean participate, not only enable the strengthening of solid institutions that are accountable and accompany processes of public policy reform, but orient technical and financial cooperation towards sustainable and inclusive development results. They also generate spaces of trust and partnership between administrations, accompanying them with an iterative (Andrews, Pritchett and Woolcock, 2017) and whole-of-government approach. Therefore, we are faced with an opportunity to nurture political dialogues based on public technical cooperation and to “re-politicise” Euro-Latin American relations for the sake of a convergence of Euro-Latin American positions in the multilateral sphere.

These dialogues should materialise at a bilateral level with cooperation measures that nurture the role of European Union Delegations as promoters of the Team Europe approach. The INTPA is conducting a pilot exercise in policy dialogue between agencies of the member states and the European Union Delegations in Latin America, which shows the importance of this focus because of its contributions in terms of coherence, complementarity and ownership.

At the same time, the European Union must not lose sight of the regionalisation objective, of supporting regionalism and regional integration, as argued later in this document, aspiring to rebuild a bi-regional political dialogue on the basis of policy dialogues.

The *policy first* principle is an emerging concept in the external action of the European Union, which currently only has practical experience of the regional technical cooperation programmes of the European Union with Latin America and the Caribbean, on which the current pilot exercise of the “*mesas* Team Europe” is built. The link between the policy dialogues nourished by these programmes and the ability to achieve greater development results through technical, financial and budgetary support actions, on which it is hoped to have an influence, still requires much more structured work, which is especially significant in the framework of the expansion of the EFSD+ and the External Action Guarantee to the region. The combination of the three pillars of the European External Investment Plan (EIP) with technical assistance improving the enabling environment for investments does not yet have sufficient running time and should be reassessed with the geostrategic ambition of the current Commission and the strengthened role of public technical cooperation to nurture political dialogues (Di Ciommo, Sergejeff, to be published). The relationship between INTPA and the Foreign Policy Instruments Service (FPI) also remains to be clarified.

In this area, the link between the concept of *policy first* and that of *people first* in the framework of advanced and tailor-made cooperation in countries with democratic standards comparable to those of the European Union itself requires special reflection. European cooperation has a strong tradition of direct cooperation with civil society in partner countries. On the part of the Union, this cooperation is intrinsic to democratic values and the defence of human rights. However, the *policy first* principle and the partnership approach can generate a tendency to support civil society focused exclusively on processes of social dialogue led by the governments themselves within the framework of their democratic sovereignty. Citizen participation in the processes of development and design and implementation of public policies should be a central axis of the commitment of the European Union in its work with democratic countries, anchored to the shared agenda of the SDGs. The construction of shared social values through the joint response to shared challenges, the promotion of a true bi-



regional partnership is the driver of transformation and one factor that guarantees the common goal of a rule-based multilateral order.

#### **4. Values and interests in the Euro-Latin American space**

Latin America and the Caribbean is the closest neighbourhood to the European Union in every way except geographically. We share fundamental values regarding respect for human dignity, freedom, democracy, equality and human rights, as well as a strong commitment to multilateralism and the common goals of the 2030 Agenda for Sustainable Development.

The NDICI establishes the general objective of “defending and promoting the values and interests of the Union throughout the world”. To this end, it is important to differentiate between these two concepts, the values, especially the fundamental ones anchored in the Lisbon Treaty, and the interests, which are translated into external action priorities. Differentiating in terms of essence, how to act, how to proceed, conveying this in what is done, in interests, including political, economic and commercial ones, enables us to better differentiate the European Union from other actors in the region.

The geostrategic commitment of the von der Leyen Commission to a green and digital socio-economic recovery from the current crisis caused by the pandemic is legitimate and consistent with the internal economic priorities of the European Union. However, in these two areas it competes in the region with other actors, such as China and the United States (Sanahuja, 2021a), as well as among the Union’s own member states. The commitment to green and digital alliances that are sustainable and inclusive, built on societies that are peaceful, safe and cohesive, with solid institutions and socio-economic development that leaves no one behind, is what differentiates the Union from other actors.

The countries of the region are interested in the investment and innovation potential of the EU, as well as that of other actors, but they also trust in European values and demand the experience of the enormous diversity of public policies. It is in the Union’s capital interest to foster a sense of belonging to a Euro-Latin American community of shared values. A geostrategic external action requires leveraging additional funds, but cannot risk losing sight of the essence of the European Union. Ambition for greater strategic autonomy carries risks for the EU’s external policy, especially in terms of democratic values. If the European Union takes autonomy too far, it may lose its capacity to impact and influence the pursuit of its objectives through its normative power (Youngs, 2021).

##### ***4.1 The “5Ps” for the “3Bs”: orienting public policies towards the SDGs***

The firm commitment of the European Union and the countries of Latin America and the Caribbean to the 2030 Agenda for Sustainable Development reflects these shared values and establishes a common roadmap for jointly addressing global challenges.

The NDICI structures the intervention areas around the five “Ps” of people, planet, prosperity, peace and partnerships, reflecting the commitment assumed by the European Union with the 2030 Agenda for Sustainable Development within the framework of the new European Consensus on Development. As mentioned, the competent service of the European Commission has been renamed “International Partnerships”, highlighting the geostrategic commitment to building partnerships. SDG17 becomes the axis of the European Union’s foreign action, committed to multilateralism, solid global partnerships and international cooperation as the basis for achieving the SDGs.

The promotion of just, peaceful and inclusive societies with strong, effective and transparent institutions that are accountable is a precondition for sustainable development, as is the rights-based agenda, access to social services and the reduction of inequalities. In this way, SDG16 becomes the driver to achieve the rest of the objectives and together with SDG17 it represents the dimension of the values of the 2030 Agenda for Sustainable Development and, to a large extent, those of European external action.

Once again, the diversity in the application of inclusive and sustainable public policies in the Union's common acquis, serves as significant practices for the joint response to shared challenges between the European Union and Latin America and the Caribbean at the beginning of the “decade of action” of the 2030 Agenda for Sustainable Development.

The common commitment to the five dimensions of this agenda is a fundamental part of a Euro-Latin American space of shared values. It should guide the actions of the EU to *build back better* (the three “Bs”, a term coined by the Sendai framework for disaster risk reduction) after the socio-economic impact of the COVID-19 global pandemic. Strengthening these partnerships and promoting just, peaceful and inclusive societies is a precondition for a sustainable and inclusive green and digital recovery. Sustainable development will only be possible if structural gaps are overcome and institutional capacities are strengthened to “devise” public policies which are in line with the SDGs.

This ambition is shared between the European Union and Latin America and the Caribbean, and is the foundation of their common commitment to the “decade of action”. The NDICI's approach, its principles and its potential for mobilising technical and financial resources offer up possibilities to make substantial progress on this path.

A good example of the demand for European experience in the accompaniment of new social pacts is the request made by the Government of Chile to the European Union's EUROsociAL programme to nurture the constituent process and also the creation of Economic and Social Councils in the region, based on European social dialogue practices.

From the Spanish perspective, it is especially important to keep a shared roadmap, based on the 2030 Agenda for Sustainable Development and on public policies. The specific weight of Spain in the region builds on historical human, economic, political and cooperation relations embedded into the Ibero-American Community. Spain is the biggest European investor in the region and globally the second biggest, after the United States. Its presence in the region is a multiplier of Spain's political weight at global level, in accordance with the External Action Strategy 2021-2024 (Government of Spain, 2021). However, Spanish cooperation has traditionally been focused on accompanying public policy reform processes, facing the double challenge of promoting greater European interest in the region and competing with a greater number of external actors as well as those from the Union itself regarding the new European priorities in green and digital matters. These areas also require the mobilisation of additional financial resources, for which the public structure of Spanish cooperation is comparatively less prepared. They also compete with the priorities of the Spanish recovery itself and with the ambitions of mobilising private resources in the field of the European Recovery and Resilience Facility “Next Generation EU”.

#### **4.2. “Geographisation” vs. regional approaches**

The impossibility of organising a European Union-Latin America and the Caribbean Summit since 2015 illustrates the weakness of structured bi-regional political dialogues and the difficulty of

coordinating specific actions based on shared agendas, despite the closeness between both regions in sociocultural terms and values within the framework of the 2030 Agenda for Sustainable Development.

On the Latin America and the Caribbean side, the regional instability derived from the crisis in Venezuela has polarised responses and rendered the regional mechanisms for concertation and integration useless (González, Hirst, Luján, Romero and Tokatlian, 2021). The European Union has only demonstrated the ability to influence the region geo-strategically in specific and reactive responses to recent crises, such as that of the refugees from Venezuela —and to a lesser extent in Mexico and Central America— or the fires in the Brazilian Amazon. The rest of the political relations are essentially reduced to weak bilateral and subregional trade agreements, with an evident dissociation from the technical and financial cooperation programmes that should accompany these agreements. On the level of the EU member states, there are some spaces with much greater continuity and density, such as the Ibero-American space, which should be included in reflections on a proposal for the re-politicisation of Euro-Latin American relations. The European Union for now has not been able to integrate the enormous wealth of networks and political dialogue that exists in these spaces.

There is, however, a significant body of policy dialogues, structured to varying degrees within the framework of the European Union’s regional technical cooperation programmes for the region. The clearest example of the potential of these programmes is the secretarial function of the COPOLAD programme<sup>3</sup> for the EU-CELAC Coordination and Cooperation Mechanism on drugs, beyond its political scope. COPOLAD is also, for now, the only regional cooperation programme of the European Union that includes the entire Caribbean within the framework of its activities.

Programmes such as EUROsociAL+, EL PACCTO and EUROCLIMA+<sup>4</sup> nurture the policy dialogue at the regional level through coordination processes structured in interministerial “mesas país”, contributing to whole-of-government approaches and preparing the ground for concertation and common protocols at the regional level. These regional programmes are promoting new partnerships between the European Union and Latin America through knowledge exchange tools, peer learning, public technical cooperation and policy dialogue, working with public administrations, institutional networks and supporting regional, subregional and bi-regional forums (Ramos and Jung, 2019).

The regional programmes of the European Union contribute at various levels to “re-politicising” bi-regional relations. At the national level of the countries of Latin America and the Caribbean, these programmes contribute to improving institutional capacities in the public policy design and management cycle, in addition to generating incentives for change, favouring debate and collective reflection, the exchange of knowledge of significant experiences and mutual learning between peer institutions in the region and with the European Union. The regional approach represents a window of opportunity to initiate processes of political change at the national level and to promote effective horizontality.

At the regional and bi-regional level, regional programmes are generating harmonised responses to shared challenges, fostering adherence to joint policies, standards and principles, allowing closer positions in international forums for the benefit of multilateral governance and promoting, with a bottom-up approach, regional concertation and integration, with substantial development impact and results at the country level. In this regional framework, networks and communities of practice with a

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<sup>3</sup> Cooperation Programme between Latin America, the Caribbean and the European Union on Drugs Policies.

<sup>4</sup> Cooperation programmes between Latin America and the European Union on social cohesion (EUROsociAL+), on the criminal chain (EL PACCTO) and on climate change (EUROCLIMA+).

large stock of relational capital and mutual trust between people and institutions are particularly significant. There is a dense fabric between institutions from which many of the policies are initiated. An example is the “Brasilia Rules” on access to justice for people in vulnerable situations, approved at the XIV Ibero-American Judicial Summit.

At the European level, various EU member states participate in its implementation with a real Team Europe approach exchanging on various models of application of the *acquis communautaire*.

This feedback between the regional, bilateral and bi-regional level is an intrinsic value of the Union itself and its internal market. For this reason, it is essential that in the current programming process the principle of “geographisation” and subsidiarity does not exclude the regional dimension, or limit to the simple aggregation of interests in Team Europe initiatives, feeding a regional approach that does not respond to shared values.

For the “geographisation” logic, it is also necessary to distinguish between regional or multi-country approaches, which do not necessarily correspond to regional organisations. Without ceasing in the aspiration for the institutionalization of the regional integration in Latin America and the Caribbean, the bi-regional agenda between the European Union and Latin America and the Caribbean in this regard is more complex and has various more or less formalised networks and mechanisms for consultation and integration, which coexist and reinforce the agenda of shared values.

The existence of these regional cooperation programmes and their established mechanisms for policy dialogues at the intra-regional and bi-regional levels enables the reconstruction of a Euro-Latin American political agenda, expanding the programmes objectives the dynamization and secretariat function for bi-regional sector policy dialogue mechanisms, which already exist informally at an intermediate level of public decision-makers or *policy makers*. The joint communication “Joining forces for a common future” (European Commission, 2019), includes the basis to promote sector dialogue mechanisms, which could be championed by the High Representative of the Union for Foreign Affairs and Security Policy.

These dialogue mechanisms would substantially nourish the bi-regional agenda and feed specific commitments in the relaunch of the European Union-Latin America and Caribbean summits that the ministerial meeting held in December 2020 called for in 2021. Feedback between the two (political dialogue, on the one hand, and regional programmes/policy dialogue, on the other) should, in turn, enable a more strategic orientation to the programmes and empower them, strengthening their geostrategic positioning and their impact.

Regional programmes are achieving dialogue at the very highest levels in the countries of the region. However, they do not always manage to pool political interest at the same level on both sides of the Atlantic. In the context of the geostrategic ambition of the European Union’s foreign action, this crossing of political agendas and commitments is a fundamental challenge for the future of Euro-Latin American cooperation. The current proposal to reduce funds allocated to regional cooperation by at least 30% compared to the European Union’s previous financial framework would therefore, in addition to being disproportionate, be a serious mistake and a decision contrary to the ambitions of the von der Leyen Commission, especially considering that an important part of this allocation must necessarily finance actions that nurture sub-regional (Caribbean, Central American Integration System, Mercosur) and multi-country processes, in addition to financial cooperation and possibly cooperation with the United States and Canada.

This document does not attempt to address in depth the Caribbean dimension in the Euro-Latin American framework, but the historical and structural conditions of its systems are areas that add complexity to any convergence process. The construction of Europe itself serves as an example in the positive sense. The NDICI overcomes administrative barriers regarding the participation of the Dominican Republic and Cuba in the regional programmes. However, despite coherence with political dialogues with the whole region, the participation of other countries in the Caribbean in regional cooperation programmes is complex to manage and requires in-depth consideration by the European Commission and the member state organisations. In addition, differences in approach have been significant in trade agreements and the system of regional preferences for countries subject to the Lomé agreement and later to Cotonou, applied for many years, until its replacement by free trade agreements or, where appropriate, the preferences of the *Everything except weapons* scheme for the less advanced countries. In any case, the participation of Caribbean countries and the work dynamics in the European Commission itself are contributing to programmes being formulated and worked on in English, potentially facilitating the participation of other EU member states, but distorting processes of dialogue strongly based on networks and communities of the Ibero-American space.

From the Spanish perspective, it is essential to strengthen the link between the Ibero-American and the Euro-Latin American space in all its dimensions, especially considering the 30<sup>th</sup> anniversary of the Ibero-American Summits system, which will be celebrated in 2021. Language is an important element, to be considered by Spain and Portugal in the nexus between both spaces, which requires strategic positioning in the European Union.

The commitment to differentiated agendas with some countries in the External Action Strategy 2021-2024 seems contradictory to the ambition that CELAC recovers its capacity to provide momentum for the Latin America integration, especially in relation to an agenda of shared values within the Ibero- and Euro-Latin American context.

#### ***4.3. Triangular cooperation and the Adelante and Development in Transition facilities***

Among its corporation methods (Article 26), the NDICI includes triangular agreements, by virtue of which the Union coordinates its aid with third countries via financing provided to a region or partner country. In 2018, the former DEVCO adopted a specific strategy on triangular cooperation (European Commission, 2018), built on the new European Consensus on Development, with the ambition of strengthening strategic relations on shared interests with countries which count on their own bilateral cooperation. In this strategy, triangular cooperation is identified as a tool to promote political dialogue and regional integration, besides contributing to alignment and development effectiveness.

The European Commission intends to position itself as a significant stakeholder in triangular cooperation at a global level. Specifically prominent is the success of the EUROsocial programme in contributing to the construction of common protocols and regulatory convergence through the exchange of experience between Latin American countries. In 2015, based on the success of this programme, the European Union launched a specific facility called “Adelante”, to finance triangular cooperation actions, implemented by cooperation agencies of the Latin American and Caribbean countries. From the Spanish perspective, the Spanish Agency for International Development Cooperation (AECID) has been supporting cooperation agencies in the region for years and financing the Ibero-American programme for South-South cooperation (Castiella, 2019), which will be linking with the second phase of the “Adelante” programme through the annual report on South-South cooperation of the Ibero-American General Secretariat (SEGIB).

Considering high transaction costs in the execution of European funds by cooperation agencies in the region and a reduced impact in terms of promoting European values and interests, the Facility for Development in Transition was launched in 2018. This financing line responds to the approach and strategy promoted by the *Latin American Economic Outlook* (OECD, 2019) report, and in addition to financing components of technical support for reforms by the OECD and ECLAC in the countries, it establishes a window for co-financing specific actions with the cooperation agencies of the countries of Latin America and the Caribbean in their own countries (Nieto and Salinas, 2020).

The high level of triangular cooperation in regional Euro-Latin American cooperation programmes requires strategic reflection on the best way to coordinate this modality, especially from the perspective of its contribution to the building of partnerships.

## **5. Team Europe: joint programming and implementation of the NDICI**

As previously mentioned, since the preparation of the 2021-2027 programming process for external action instruments, INTPA has identified *flagship programmes* of shared interest between the EU member states and the European Commission, which also have a substantial potential to mobilise additional financial resources, including financial cooperation and private investment.

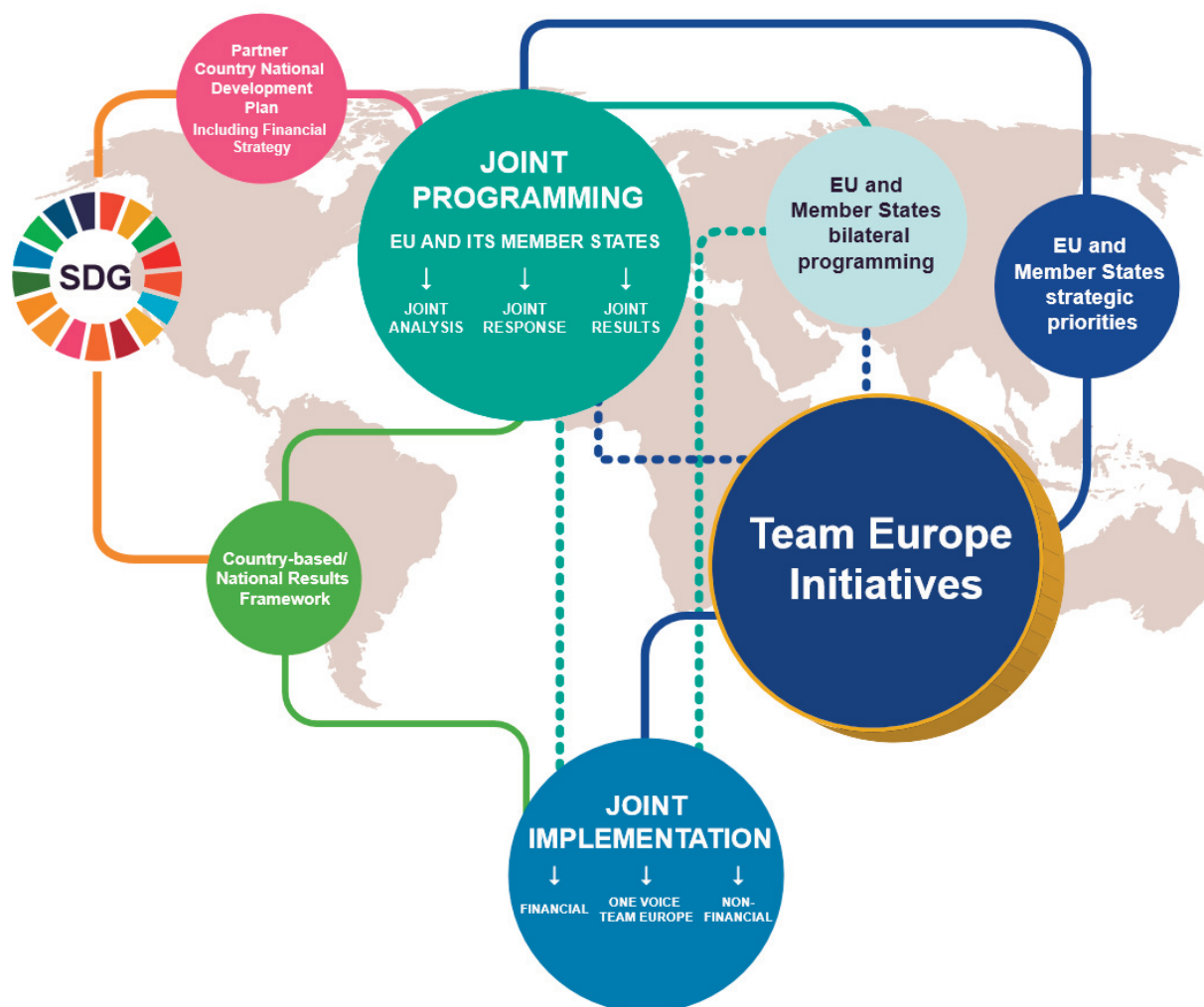
With the joint Communication of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy “EU Global Response to COVID-19” of April 2020, these proposals were renamed “Team Europe” and “*Team Europe* Initiatives” (TEIs). Through collaborative work, it is intended to ensure a greater impact and concentration of resources on shared priorities which are considered geostrategic.

In line with the principle of “geographisation”, these TEIs are being prepared by the European Union Delegations in each of the partner countries, considering the priorities of the countries in a joint exercise with the Embassies and cooperation offices of EU member states. In order to ensure greater inclusiveness and a truly European approach, the European Commission is trying to associate member states that do not have an Embassy or other presence in each partner country, through a centralised consultation process in Brussels. This process is especially significant for TEIs in Latin America and the Caribbean, considering that many EU member states are not widely represented in countries in the region.

In addition, the European Commission is incorporating the development banks of the member states into the process, as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), in line with the commitment of mobilizing all resources for development assumed in the new European Consensus on Development and the Addis Ababa Action Agenda agreements. For Latin America, stakeholders such as the Inter-American Development Bank (IADB) and CAF-Development Bank of Latin America are also involved in this programming phase.

Within the framework of the European Union’s programming process for the 2021-2027 financial framework, it is expected that TEIs will become one of the three areas of action that is planned at the national level for each of the multi-annual indicative programmes.

**TABLE 2. TEIs and European Union programming**



Source: European Commission, 2021a.

In autumn 2020, the first regional TEI proposals (bilateral TEIs and some initial regional TEI proposals) were presented to the EU member states, their cooperation agencies, and development and investment banks. As of March 2021, the European Commission had preselected 49 TEIs that it considers “mature”, of which 17 correspond to bilateral TEIs with Latin American and Caribbean countries. A total of eight member states and seven development banks have expressed their commitment to these actions.

The process of “co-creation” and participation (or *inclusiveness*) of the member states with less presence in the region is therefore having a certain dynamic effect on the interest of the stakeholders and their commitment to the Latin American and Caribbean region, although less than in other regions such as Africa or Asia. It is an informed decision-making process that serves to improve the coherence of a European cooperation system based on shared competencies. It also reinforces the NDICI’s commitment to joint programming. However, it also harbours risks in terms of an overly Eurocentric, donor-centred approach, questioning the principle of ownership (Jones and Teevan, 2021), which also harbours a certain risk of prioritising co-financing and interests over values.

The programming exercise is still in full process at the time of writing this document, incorporating new criteria for the consideration of TEIs (such as a minimum number of interested member states

and a minimum percentage of co-financing), preventing an in-depth analysis of the changes at the level of topics and final budget allocations, beyond the global reduction of resources allocated to the region. However, the introduction of the link between programming and joint implementation already makes it possible to point out some additional challenges, which will arise in the coming years in Euro-Latin American cooperation.

As has already been pointed out, some cooperation programmes are succeeding in substantially nurturing policy dialogues in the countries and even at the regional level. However, given the scarcity of forums for bi-regional political dialogues, programmes often build on or promote other types of networks or communities. An example of this is the Forum of Ministers of the Environment of Latin America in the EUROCLIMA+ programme, the Ibero-American Association of Public Prosecutors (AIAMP) in the framework of the EL PACCTO programme and various networks promoted by the EUROsocial programme, such as the Transparency and Access to Information Network and the Regional Development Network. The great challenge facing all these initiatives is the convergence of political agendas and commitments on both sides of the Atlantic.

Explained previously was the importance of the common framework of the 2030 Agenda for Sustainable Development in this area and the opportunity for the recovery of some structured political dialogues at the bi-regional level. However, maintaining the logic of feedback between cooperation programmes, policy dialogues, and political dialogues raises a structural challenge in relation to joint implementation. The challenge of many programmes is to achieve the real, representative and substantive participation of the 27 EU member states. At the bilateral level, examples such as the experience exchange programme between Cuba and the European Union have the active participation of different member states (*inclusiveness*). However, most of the Euro-Latin American cooperation programmes pool the knowledge resources of public institutions and entities of countries which have greater ties to the region.

Here, the line directorates-general of the European Commission, as well as the executive agencies of the European Union, can play a fundamental role, providing an overview of how the respective *acquis communautaire* is applied in 27 national laws, protocols and measures. These entities are able to identify in an orderly manner significant experiences from countries or even regions that are further “removed” from the Latin American space.

The creation of a group for external coordination (EXCO) by the High Representative of the Union for Foreign Affairs and Security Policy among the services of the European Commission is an important step in this direction, but the main challenge remains the absence of personnel dedicated specifically to the accompaniment of the implementation of these types of cooperation programmes in the different services or agencies.

In the countries of Latin America and the Caribbean, the level of dialogue of public technical cooperation programmes is very high, often counting on a fluid exchange at the level of ministers, when initiatives with a much larger budget fail to generate such political attention. This hierarchical level is not matched in the member states of the European Union, with the exception of countries which have greater interests in the region. The feeding of a Euro-Latin American political agenda, therefore, is only possible if the programmes thoroughly get to know the priorities of the institutions of the partner countries and of their counterparts in the vast majority of member states. This challenge is colossal and can only be channelled by Member State organisations (cooperation agencies) or entities specialised in mobilising knowledge from the public sector in the different countries that jointly execute the programmes (Schneider and Illán, 2020).



## 6. Thematic priorities in Euro-Latin American cooperation: social cohesion and rule of law as the “Sinatra doctrine”

The NDICI establishes spending targets per sector priority. As indicated above, 10% of the funds will be invested for migration, 25% for climate change, 20% for human development and 10% for education. Regarding gender equality, it has been established that at least 85% of the actions have as their main or significant objective the empowerment of women and girls and gender equality. In addition, 92% of the funds will be computed as ODA. In this way, the instrument determines a series of priorities in the possible Euro-Latin American cooperation agenda. The von der Leyen Commission also establishes its lines of action for a stronger Europe in the world in i) green alliances; ii) digital alliances; iii) employment and sustainable growth; iv) migration and forced displacement; v) governance and human development; vi) and resilience, peace and security.

These topics define the scope of action of the European Union Delegations in the countries of Latin America and the Caribbean. However, action in any region is built on historical relationships, the *acquis* of which can be found in documents such as the joint communication “Joining forces for a common future” of April 2019 (European Commission, 2019), the resolution of the European Parliament on the political relations of the European Union with Latin America in 2017 (European Parliament, 2017) or later in the joint communiqué of the European Union after the informal ministerial meeting of Latin America and the Caribbean (EEAS, 14 December 2020).

Social (and territorial) cohesion has been the cornerstone of the European construction process, the way to build Europe. From the beginning, it was understood that the reduction of inequalities, both internal and between European countries, was a necessary condition for the strengthening of economic integration, and to ensure a space of shared values and interests, which would guarantee peace, stability and democracy in Europe. In this sense, social cohesion constitutes a value integrated into the *acquis communautaire*, which has been translated into policies of the Union and its member states that are globally recognised (Borrell, 2021). The central axis of this concept is public responsibility in the creation and maintenance of equal opportunities, social inclusion and the well-being of citizens, based on the rule of law. Therefore, it is a value and policy orientation that defines Europe and that distinguishes it from other regions and other actors. It constitutes a policy paradigm and, consequently, has been transferred as such to its foreign action and, especially, to its cooperation policy. From the prism of Borrell’s “Sinatra doctrine”, the *European way*, the central axis of European cooperation could therefore be social (and territorial) cohesion (Borrell, 2020).

The concept of social cohesion is polysemic and the European Union has been unfolding its multiple dimensions. Even so, a conceptual nucleus of social cohesion can be identified that links it, at least, to the following aspects: equity, consensus and agreement, peace, justice and the recognition of rights, belonging to a collective project, democratic stability and sustainable institutions. Each and every one of these dimensions is specified in public action axes and policies aimed at reducing inequalities, overcoming gaps, recognising rights, protecting vulnerable groups and mitigating political and social conflicts. In this sense, social (and territorial) cohesion is the axis of peace and stability in the integration process of the European Union and is central to its worldwide recognition.

Since the third Summit between the European Union and Latin America and the Caribbean in Guadalajara in 2004, social cohesion has been part of Euro-Latin American *acquis* and constitutes a central element in bi-regional summits and meetings of the Euro-Latin American Parliamentary Assembly (EUROLAT). The concept regains special importance in the European Union’s external action with Latin America and the Caribbean, for different reasons:

1. From the perspective of the bi-regional relationship, the values of peace, democracy, equity and the promotion of the rule of law are values shared by both regions, so that social cohesion as a multidimensional concept coordinates interests and ideas with which both regions identify and whose momentum contributes to reinforcing the alliance between the two, an especially valuable link in the current global scenario. As explained before, in a global context, Latin America and the Caribbean would be a “neighbourhood” in terms of cultural borders and shared values. Social cohesion is a distinctive element of the European Union’s external action vis-à-vis other actors in the region, especially China and the United States. It is a central element of the European social model’s external dimension, and the countries of Latin America and the Caribbean recognise this identifying feature of Europe in the growing demand for exchanges on the diverse application of Union policies by the 27 member states.

2. The inequality in Latin America and the Caribbean, democratic disaffection and insecurity persist as elements that limit the developmental capacities of the region. Therefore, the European commitment to the development of the region requires the addressing of these problems, even more so within the framework of its commitment to supporting the implementation of the 2030 Agenda for Sustainable Development, specifically its “social” aspect. The existence of exclusive political projects and the political polarisation resulting from them constitute an additional element that limits development and calls for decisive action in favour of social cohesion, which must be led by Europe. Indeed, the concept of social cohesion implies, beyond the policy approach, a form of interaction between social actors, based on dialogue and consensus. It involves the need to reach broad and participatory agreements. In the turbulent and effervescent Latin American context, the European Union can play a key role in these dialogue processes, to strengthen democracy and rule-based multilateralism. Inequality is a symptom and, in line with SDG10, European cooperation should aim to reduce it. However, geostrategic European cooperation must go further, striving for the value of social cohesion and the construction of new social pacts and agreements. The result sought by these new pacts is to increase social cohesion (Bonaglia, Nieto-Parra and Vázquez-Zamora, 2020), the “sense of us” (belonging to a community), political stability and, ultimately, social peace. The means for this is democracy, with solid and inclusive institutions, with the capacity for fiscal redistribution and which guarantees access to rights and equality. The growing demand for these new social pacts emanates from the increase in inequalities and the intrinsic fear of the real effects of emerging populisms.

3. The external strategy of the European Union in the current conjuncture marks an agenda of ecological transition, digital modernisation and economic revitalisation, which calls for national and global pacts and agreements, so that these transition processes do not generate new gaps and inequalities. The commitment to sustainable development and digital modernisation must be carried out with the principle of “leaving no one behind”. Europe must lead the social aspect associated with the green transition and the digital transition. This commitment calls for the incorporation of the social dimension at the centre of this new agenda, not only as an element associated with the new priorities, but above all with its own well-defined identity that places and elevates social justice in the various national, regional and global agendas. In this sense, the potential exists for coordinating a kind of “Agenda for Change” that puts social cohesion at the centre of sustainable development policies, just as in 2011 when governance was promoted as a condition for inclusive growth (Agenda for Change, European Commission, 2011).

4. In the current situation of the COVID-19 pandemic, the differentiated impacts associated with inequality and vulnerability in both regions have become apparent. Post-COVID recovery demands not only an economic reactivation, but also a social one, built on new bases and pacts, under the commitment of *building back better*. The crisis can be an opportunity to strengthen political relations and cooperation between the European Union and Latin America and the Caribbean. The global

governance crisis means that both regions, natural allies during the last century, can join forces to face developmental traps and the health, economic and social crisis, agree on positions in the multilateral arena, and strengthen cooperation by committing to a post-COVID way out which is social and green.

Social and territorial cohesion not only emerges again as a central element of sustainable and inclusive development (UNDP, 2020), but also as a dimension of sustainability of the 2030 Agenda for Sustainable Development and as an element of political reflection, with its rupture as the main threat to peace and security, both nationally and internationally (Hernández, 2020). Social cohesion is a central element of the current debates about the sense of belonging to societies, spaces of shared values and the demands for new social pacts (Martínez Franzoni and Sánchez-Ancochea, 2020). Recent European Council conclusions on a human rights-based recovery highlight social cohesion as a key element of post-COVID-19 recovery (European Council, 2021). It also serves as a guide to integrate complementary technical, financial or budgetary support actions at the national level (Montagud, Herrera and Gonzalo, 2018).

Beyond how the NDICI programming exercise finally ends at the bilateral level with the different countries, at the regional level a series of dialogues should be coordinated which involves the convergence of the interests of the TEIs, the priorities of the region and a certain ambitious bi-regional agenda, which is strongly built on shared values and the stock of existing relationships. As indicated, the existence of successful regional cooperation programmes and their established mechanisms for dialogue on policies at the intra-regional and bi-regional level allows the reconstruction of a Euro-Latin American political agenda, introducing among their objectives the function of providing momentum and a secretariat for sectoral mechanisms for bi-regional dialogue, which are already under informal construction at an intermediate level of public decision-makers or *policy makers*. The joint communication “Joining forces for a common future” of April 2019 (European Commission, 2019), includes the basis for promoting sectoral dialogue mechanisms, which could be championed by the High Representative of the Union for Foreign Affairs and Security Policy:

1. Bi-regional dialogue on social cohesion, the fight against inequalities and human development, supported by the EUROsociAL+ programme: enables the fight against inequalities to be addressed in the response to the socioeconomic crisis in terms of social policy and employment, gender equality (building on the European Union’s third Action Plan on gender and including the *Spotlight initiative*<sup>5</sup>), fiscal sustainability, regional management, access to rights (including education and global health) and a democratic institutional structure that guarantees inclusive and sustainable policies. Also mobility and migration should be approached from this global perspective.
2. Bi-regional dialogue on the rule of law, justice and security, supported by the EL PACCTO programme: enables the addressing of cybersecurity issues and the fight against organised crime throughout the criminal chain.
3. Bi-regional dialogue on the green deal and just transition, supported by the EUROCLIMA+ programme (including the future programme for the Amazonia).
4. Bi-regional dialogue on sustainable growth and employment, supported by the EU-LAC Foundation and the new AI-Invest Verde programme<sup>6</sup>, accompanying the implementation of the commitments

<sup>5</sup> The Spotlight Initiative is an action between the European Union and the United Nations to eliminate all forms of violence against women and girls by 2030.

<sup>6</sup> Cooperation programme between Latin America and the European Union on growth and employment.

assumed in the trade agreements and the integration challenges in global markets, with a view to greater incorporation of the green dimension in future trade agreements.

5. Bi-regional dialogue on the digital alliance and connectivity as an axis to support the productive, educational and public services ecosystem, supported by the Digital Agenda for Latin America and the Caribbean (eLac) of the Ministerial Conference on the Information Society of Latin America and the Caribbean, as well as a complimentary future regional programme to digitisation initiatives, which accompany the rest of the programmes of the European Union and its member states.

From the Spanish point of view, the thematic approach to migration is also a priority, especially if we take into account the legal migratory flows and the origin of the people requesting international protection and asylum in Spain. Considering the intrinsic difficulty of bi-regional migratory dialogues, the different realities of the migratory phenomenon in Central America and Mexico (with the strong impact of the migration policies of the United States) and in South America, migration should be approached from the perspective of social cohesion, as well as in bilateral and multi-country actions, which could be financed in the future from the NDICI budget lines provided for emerging or rapid reaction challenges.

## **7. More with less: EFSD+ and financial cooperation**

Technical cooperation can and should accompany processes that contribute to the sustainability of fiscal accounts and the generation of tax resources necessary to take on the response to the socio-economic impact of the pandemic and the commitments of new social pacts. In fiscal matters, technical cooperation is especially significant in supporting the improvement in the quality of spending, in terms of its ability to redistribute income, which is well below other regions (OECD, 2019). The balance between tax culture, expenditures in response to the current crisis and the need to stabilise public debt will be of extreme relevance for the region in the coming years. Fiscal deficits in the region increased by an average of 5.3% GDP in 2020, with an average public debt of 72% GDP (IADB, 2021).

The flows of ODA and Total Official Support for Sustainable Development (TOSSD) under the NDICI are relatively insignificant, especially for the region's higher-income countries. However, the NDICI incorporates new instruments for the mobilisation of additional resources for development, beyond the possibilities of combined financing or *blending* under the previous financial framework of the European Union (Latin America Investment Facility, LAIF and the External Investment Plan, EIP). The European Sustainable Development Fund (EFSD+) and the External Action Guarantee provided for in the 2021-2027 financial framework are endowed with a substantial part of the NDICI's geographic funds (see Table 1), in addition to receiving an additional budget allocation from the European Recovery and Resilience Facility "Next Generation EU". They will be able to provide financial instruments, budgetary guarantees, mixed financing, financial assistance and debt reduction programmes. The guarantees may cover risks associated with loans, counter guarantees, capital market instruments and any other form of financing or credit enhancement, insurance, and equity or quasi-equity (Lilyanova, 2021). The Commission plans to cover up to 9% of risks in public financing and 50% in private investments, under the supervision of an internal technical assistance group for guarantees (GTAG+), which analyses the risks associated with operations. It will have regional windows in line with the NDICI budget structure and a strategic Board of Directors.

In this way, the European Union intends to substantially increase access to finance, which will be especially significant in response to the pandemic for the recovery of green and digital productive

activity, in support of public-private projects (such as, for example, the Bella cable<sup>7</sup> or the Copernicus programme<sup>8</sup>) and to accompany the overcoming of development gaps in the region and its effective incorporation into regional and global value chains. Already in 2020, the channelling of ODA funds through development and investment banks has increased substantially (Gavas and Pleeck, 2021). Gabor (2020), from a critical perspective, talks about a new “Wall Street Consensus” or an emerging development paradigm as a risk reduction tool for private capital. Especially the current debates on *transition finance* (Piemonte, Cattaneo, Morris, Pincet and Poensgen, 2019), the concept of resilience to ODA and the progressive replacement of external financing by national resources and private investment are important for these new financial cooperation instruments of the European Union to get to Latin America and the Caribbean.

With the NDICI, INTPA is programming the future actions of the EIB, an investment bank, which is assigned specific financial lines of an instrument that must allocate 93 % of its funds to ODA. Acting together with the EIB will be the EBRD and the development banks of the member states, which are very different in scope and nature. In addition, these funds are open to the participation of regional development banks, such as CAF-Banco de Desarrollo de América Latina and the IADB. The NDICI intends to bring together under a single “umbrella” all the variety of existing financial tools and thus improve their efficiency and management, aspiring to establish a “single window” to serve those investors seeking the support of the European Union to carry out operations outside European borders (Sanahuja and Rodríguez, 2019).

From the Spanish point of view, it becomes especially urgent to move forward with the reform process of the cooperation system and the creation of a Spanish Bank for Sustainable Development (to complement ICO and COFIDES) for the management of the Fund for the Promotion of Development (FONPRODE) and the Water Fund (or future green funds), assuming at the same time an opportunity for the integration of a reference model in the application of the principle of *policy first* and the coherence, complementarity and feedback between (public) technical cooperation, financial cooperation and private investment. New initiatives are also emerging in the area of debt swaps for climate action and human development, with a strong boost from the Government of Spain in response to the impact of COVID-19 in the countries of Latin America and the Caribbean.

According to López (2021), market solutions alone will not be able to meet the challenge and neither will regional cooperation be enough. It is necessary to integrate internationally coordinated measures to guarantee an environment of liquidity and extraordinary financial support.

In line with the Addis Ababa Action Agenda (or the *billions to trillions agenda*), these new financing instruments are consistent with the geostrategic ambition of the European Union. There is, however, a certain risk that these aspirations overlap with the traditional *soft power*, with the role of the European Union as a normative power, with an imbalance between interests and values in European external action. It is essential that, in the programming phase, financial cooperation is clearly subject to the coherence of policies for sustainable development contained in the Lisbon Treaty of 2009, as well as to environmental, social and governance criteria. In the execution phase of the NDICI’s financial cooperation actions, it is also essential that the *policy first* principle is applied, that public technical cooperation actions nurture political dialogues to guide financial cooperation and investment towards sustainable and inclusive development results. The balance between this principle and the necessary

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<sup>7</sup> Bella is an initiative to connect the European Union and Latin America by means of a submarine cable.

<sup>8</sup> The European Union’s Copernicus programme aims to achieve a comprehensive, continuous and autonomous high-quality Earth observation capability.

flexibility to adapt to the markets is therefore essential not only in programming, but above all during the implementation of combined financing or *blending* operations.

The mechanisms for structured dialogue at the country level, referred to above, should play a fundamental role in this regard, guiding cooperation actions on a permanent basis based on policy dialogues and political dialogues. The technical assistance modality (second pillar of the Foreign Investment Plan of the European Union) is the window to guarantee this orientation towards development results. In this sense, the recent *Finance in Common* Summit has also demonstrated the importance of coordination between technical cooperation agencies and development banks (Practitioners' Network, 2020) and of both with the private sector.

Especially in Euro-Latin American relations, cooperation must be based on partnership. The European Union starts with a comparative advantage in Latin America and the Caribbean, which emanates from the sense of belonging to a community of shared values. In the framework of financial cooperation, Europe tries to compete with China (Myers and Ray, 2021) and the United States, while the region stridently demands EU's experience in the application of public policy models. While committing to the mobilisation of all resources for development and leaving no one behind, China includes in its new white paper on cooperation (2020) a clearer commitment to strengthening capacities for the design and implementation of policies. Meanwhile, in the European Union, closed trade agreements with the region are questioned, which, as much as they may improve from the perspective of the green deal and the strategic autonomy of both regions (Sanahuja, 2021b), tend to be diluted in national debates about food sovereignty.

Certainly, cooperation should foster the environment which enables the attraction of private investment through indirect measures (tax systems, debt reduction) and direct measures (blending, guarantees, grants, etc.) to help finance a green and digital recovery that is sustainable and inclusive. However, it remains to be seen if the EFSD+ and the External Action Guarantee are capable of leveraging private funds so substantially, orienting them towards the SDGs (Bilal, 2019) and if they manage to guarantee their additionality (European Parliament, 2020). Meanwhile, it is important not to lose sight of the regional dimension of our bi-regional relations, undermining a Euro-Latin American community of values through a commitment to "geographisation" that is too focused on sovereign guarantees necessary for the operation of an investment bank.

## 8. Conclusions

This working document confirms the growing irrelevance of Latin America and the Caribbean in the European Union, which corresponds to a reduction in the budget allocation for the region in the Union's 2021-2027 financial framework. This loss of interest clashes with the geostrategic ambition of the von der Leyen Commission and its commitment to building partnership based on shared values in the 2030 Agenda for Sustainable Development, multilateralism and regional integration. From a development point of view, the persistence of structural gaps and the socioeconomic impact of COVID-19 in the region also call into question this decision.

Beyond the loss of funds, the NDICI nevertheless provides the European Union with the appropriate tools to work with the region and respond to its needs, as long as they are applied with the *policy first* principle. The disappearance of the concept of graduation and the integration of external action instruments from the previous financial framework make it possible to better address the multidimensional and multisectoral challenges of a region with specific "development in transition" characteristics. In this sense,

the potential of public technical cooperation to contribute to the re-politicisation of Euro-Latin American relations is identified, especially through regional cooperation programmes. It is essential that these programmes respond to the *acquis* of a bi-regional agenda, avoiding the risk of aggregating national interests that “geographisation” entails. Without ceasing to aspire to a regional institutional structure in Latin America and the Caribbean, the bi-regional agenda between the European Union and Latin America and the Caribbean is complex and has various networks and mechanisms for concertation and integration of a more or less formalised nature, which coexist and reinforce the shared values agenda.

The participatory process of Team Europe that INTPA has embarked on for the programming is helping to foster the interest of member states in the region, although very substantial challenges persist in terms of convergence of agendas and political commitments on both sides of the Atlantic. Here, the sectoral services of the European Commission and the executive agencies of the Union play a prominent role, identifying significant practices from all the member states, as well as the Member State organisations or cooperation agencies in their role as channels between the priorities of the Latin American institutions and their counterparts, driving partnerships between peers towards development results.

At the thematic level, social cohesion and the rule of law emerge as the essence of the European construction process, as a central element of the external dimension of the European social model and as a renewed axis of the Euro-Latin American space of shared values. The document is committed to an “Agenda for Change”, which puts social cohesion at the centre of sustainable development policies, as the vertex of new social pacts and a condition for recovery. The way to commit to green and digital alliances that are sustainable and inclusive, built on peaceful and safe societies, which are cohesive and fair, with solid institutions and socio-economic development that leaves no one behind, is what makes the European Union stand out from the other actors in a region that demands the experience gained from the enormously broad range of European public policies in the framework of an unprecedented crisis due to the impact of the pandemic.

The new European Fund for Sustainable Development and the expansion of the External Action Guarantees increase the potential to leverage private investment, which is essential for the geostrategic agenda of the European Union. What remains to be seen is the real effect of the substantial concentration on financial cooperation, which also carries a certain risk that these aspirations overlap with the traditional *soft power*, the role of the European Union as a regulatory power, with an imbalance between interests and values in European external action. In this sense, it is essential to drive financial cooperation and investment towards sustainable and inclusive development results.

The entry into force of the NDICI represents an opportunity to tackle a new cycle in Euro-Latin American relations. Beyond the necessary prioritisation review in financial allocations, ahead of us we have seven years to enable the relaunch of a bi-regional partnership process built on the basis of cooperation, shared values and objectives within the framework of the 2030 Agenda’s decade of action.

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Fundación Carolina  
C/ Serrano Galvache, 26. Torre Sur, 3ª planta  
28071 Madrid - España  
[www.fundacioncarolina.es](http://www.fundacioncarolina.es)  
[@Red\\_Carolina](https://twitter.com/Red_Carolina)

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