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ANNEX 6

Of the Commission Implementing Decision on the 2019 Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union

Action Document for Low Carbon and Circular Economy Business Action in the Americas

1 KEY IDENTIFICATION DATA

<table>
<thead>
<tr>
<th>Title of the Action</th>
<th>Low Carbon and Circular Economy Business Action in the Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country/region/global</td>
<td>Canada, Mexico, Brazil, Argentina, Colombia and Chile</td>
</tr>
<tr>
<td>Sector of intervention</td>
<td>Low carbon and circular economy related sectors</td>
</tr>
</tbody>
</table>
| Indicative budget | Total: EUR 20 000 000  
EC contribution: EUR 20 000 000 (100%)  
Other contributions: NA |
| Duration and target start date of implementation | 36 months - January 2020 |
| Method of implementation | Direct management - Procurement |

| DAC code(s) | NA |

<table>
<thead>
<tr>
<th>Markers (from CRIS DAC form)</th>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Main objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Aid to environment</td>
<td>☐</td>
<td>☐</td>
<td>☒</td>
<td></td>
</tr>
<tr>
<td>Gender equality (including Women In Development)</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Trade Development</td>
<td>☐</td>
<td>☐</td>
<td>☑</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RIO Convention markers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biological diversity</td>
</tr>
<tr>
<td>Combat desertification</td>
</tr>
<tr>
<td>Climate change mitigation</td>
</tr>
<tr>
<td>Climate change adaptation</td>
</tr>
</tbody>
</table>

| Global Public Goods and Challenges (GPGC) thematic flagships | NA |
2 RATIONALE AND CONTEXT

2.1 Action summary

The overall objective of this action is to enhance the position the European Union (EU) as a leader in tackling climate change by promoting the decoupling of economic growth and CO2 emissions in the Americas.

The specific objective of the project is to establish long-term small and medium sized enterprises (SMEs) and clusters\(^1\) business partnerships in the areas of low carbon and circular economy between the EU and selected partner countries in the Americas.

By working closely with European industrial clusters and facilitating partnerships between European SMEs and SMEs from the partner countries, the project will promote the adoption of low carbon technology by existing industry in the partner countries. It will also promote the creation of new low carbon technology industry and foster the use of circular economy technologies in businesses in Canada and in preselected countries in Latin America.

The proposed project brings together Europe’s economic interests (support to internationalisation of European SMEs thus contributing to creation of jobs and growth) with Europe’s political ambition to remain at the forefront of addressing the global climate change challenge. It could thus act as a significant example of European Economic Diplomacy in action in the Americas.

The project will work closely with industrial cluster intermediaries in Europe to promote joint business partnerships and develop commercially viable business projects with partner countries. The action will build upon the Cluster Internationalisation Programme for SMEs developed under EU’s COSME programme for the last 4 years, as well as on the Low Carbon Business Action projects successfully piloted in Mexico and in Brazil.

2.2 Background/Context/Rationale for PI funding

The EU has a strategic interest in stimulating efforts from Partner Countries such as Canada, Brazil, Mexico, Argentina, Colombia and Chile to adequately tackle the climate change challenge by working with them in a shift towards decoupling economic growth from CO2 emissions and moving towards a greener economy. At the same time, the EU is a leader in low carbon and circular economy technologies and solutions and a key objective of EU industrial policy is to promote internationalisation of EU companies, in particular SMEs by facilitating their entry into new markets.

The proposed action offers the opportunity to combine these two policy objectives within one action.

Following are three elements of the elements that offer a favourable context for this action:

1. The Paris Agreement adopted in 2015: The EU is increasingly being called upon by its international partners to lead and drive the implementing process, for the Paris Agreement adopted in 2015, including maintaining a focus on leveraging private investment for that purpose. The EU’s Industrial Policy Strategy also stresses the need to strengthen the ability of European industry’s to continuously adapt and innovate by facilitating investment in new technologies and embracing changes brought on by the transition to a low-carbon and more circular economy. The proposed action aims to facilitate the uptake of business activity and bankable projects that contribute to the implementation of the Nationally Determined Contributions (NDCs) in major emerging economies in Latin America. Industry and investors in Europe and globally would benefit from progress in this regard.

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\(^1\) Clusters are groups of specialised enterprises – often SMEs – and other related supporting actors that cooperate closely together in a particular location. In working together SMEs can be more innovative, create more jobs and register more international trademarks and patents than they would alone.
2. The importance that the EU attaches to the development of the circular economy: The EU has an ambitious Circular Economy Action Plan in place to stimulate Europe’s transition towards a circular economy. The Plan recognises the importance of the global dimension and states that the Commission will co-operate closely with international organisations and other interested partners as part of the global efforts to implement the 2030 Agenda and to reach the Sustainable Development Goals (SDGs). This action would complement the already existing and potential Environment and Energy dialogues between the EU and some of the proposed partner countries.

3. EU’s free trade agreements (FTAs): A report on the Implementation of Free Trade Agreements published in November 2017 (COM(2017)654) concludes that EU businesses could use much more the tariff preferences which an EU FTA offers them. The report also points out that SMEs underutilise the opportunities offered by EU FTAs. The EU has concluded FTAs with Colombia-Peru (applied since 2013) and Chile (2003). Its relationship with Mexico is governed by the a EU-Mexico Global Agreement (2000) and a modernised version of the agreement is currently under negotiation. The Comprehensive Economic and Trade Agreement (CETA) with Canada was concluded in 2017. The EU is currently negotiating a trade deal with the four founding Mercosur states, including Argentina and Brazil. Moreover, the action complements the civil society dialogue mechanisms associated with the agreements and the work of the Trade and Sustainable Development Sub-Committees.

Several factors have been taken into consideration in order to select the countries to be prioritised under this project. Some of these are: prioritising EU’s strategic partners, importance in terms of CO2 emissions, existence of or potential of a political dialogue on climate change, environment/circular economy or energy, the existence of Association agreements and/or multiparty trade agreements and business potential for EU’s clusters and SMEs in the sector. Based on these multiple criteria, the countries proposed under this project are Canada, Mexico, Brazil, Argentina, Colombia and Chile.

The action is also in line with the Europe 2020 Strategy. Europe 2020 Strategy puts forward three mutually reinforcing priorities. The proposed action aims to support and contributes to at least two of them, namely: i) Smart growth: developing an economy based on knowledge and innovation and ii) Sustainable growth: promoting a more resource efficient, greener and more competitive economy. By scaling it up, the Action has a potential to create a real leverage to promote private sector investment, contributing to the goal of the "Europe 2020" Strategy.

The proposed action combines three objectives, as laid down in the Partnership Instrument (PI) Regulation, within one action: Objective 1, Objective 2 and Objective 3. The Action will contribute to the reinforcement of EU’s image as a main actor in addressing global challenges. It will contribute to the international dimension of Europe 2020. The project will also enable coordinated advocacy efforts carried out by EU Member States, EU businesses, EU business organisations, clusters and relevant innovation & technological structures in the specific sectors covered under the project.

In particular, the project contributes to the PI Multiannual Indicative Programme (MIP) 2018-20 priorities “Environment, climate and energy” and “Trade and economic diplomacy”. It will also mainstream the following cross-cutting issues: Multilateralism (building alliances) contributing to a global order based on international law, Resilience and Innovation.

The action will help in providing business opportunities to EU companies in the targeted countries, in accessing sector specific market intelligence related to Canada, Mexico, Brazil, Argentina, Colombia and Chile. The Action will target companies that are innovators or leading actors in the Low Carbon and circular economy sectors, notably SMEs.
2.3 Lesson learnt

The proposed project builds upon the good experience of the Low Carbon Business Action pilot project in Brazil and Mexico\(^2\), and will incorporate lessons learnt from their implementation.

The pilot actions link competitiveness and emission reduction goals and recognise the importance of promoting and stimulating private investments for climate action. About 700 cooperation partnership agreements (CPAs) were signed between European and Brazilian and Mexican companies. Following an evaluation. From among these CPAs, 130 CPAs were selected, for receiving technical assistance to develop commercially viable business projects and bankable proposals.

The definition of the sectors under the new project will take into account the interest observed in the partner countries and the specific added value of EU SMEs. Based on these criteria, one sector that emerges as a clear candidate for the new project is “waste to energy”. Other sectors will be defined following a continued business opportunity based response.

An important lesson from the pilot projects that has been incorporated into the proposed project is designing an integrated action that includes all the phases from identification of opportunities to actual partnerships. This would avoid risks related to gaps between the different steps in the process and also lead to greater efficiency in the business process as well as in project management.

2.4 Coherence and complementarity

In Brazil and in Mexico, this action will build upon the work carried out by the PI funded Low Carbon Business Actions.

The project is complementary to the FPI action on the implementation of the Paris Agreement in major economies that started in December 2017.

In Argentina, the PI funded project "Energy Efficiency in Argentina" foresees a matchmaking event on Energy Efficiency including a business to finance component. The present Action will build upon this activity.

The proposed action will reinforce the commitments reached during the Circular Economy Missions organised by the Directorate-General for the Environment of the European Commission to Colombia in October 2017 and scheduled in Mexico for March 2019.

European clusters are key stakeholders that can help define priority target markets taking into account the business interest portfolio identified through European Strategic Cluster Partnerships. Clusters can also play a major role in facilitating the recruitment of the most relevant European SMEs across regional industrial ecosystems for joint business projects with partners in third countries. Cluster internationalisation activities under COSME such as "Clusters Go International" action, establishing "European Strategic Cluster Partnerships – Going International" (ESCP-4i) and the European Cluster Collaboration Platform (ECCP) will be instrumental to the implementation of the action.

The European Innovation Centre in Brazil (CEBRABIC - Centre for Europe-Brazil Business Innovation Cooperation) supported by Horizon 2020 can act as landing hub for SMEs/start-ups in Latin America.

The project will ensure coordination with and build synergies with all other EU funded projects in the countries concerned. In particular, synergies could be built with the Latin American Investment Facility (LAIF) as well as with other relevant actions supported by DEVCO.

\(^2\) Low Carbon Business Action Phase I (PI AAP 2014) Low Carbon Business Action Phase II (PI AAP 2016)
Lastly, the project will regularly inform and consult EU Member States and their Trade Promotion Organisation in each of the selected countries.

2.5 EU added value

EU has positioned itself as a global leader in responding to climate change and in the implementation of the Paris Agreement. EU has also set itself forward looking and ambitious goals in the area of circular economy. EU businesses are at the forefront of innovative solutions and technologies in these areas. EU clusters have a strong trajectory of sound business practices including cooperation against national borders and strong expertise has been accumulated through Cluster internationalisation activities under COSME such as "Clusters Go International" action, establishing "European Strategic Cluster Partnerships – Going International" (ESCP-4i) and the European Cluster Collaboration Platform (ECCP).

By leveraging these strengths and promoting concrete commercial viable partnerships between European and partner country businesses, the proposed action is designed to enhance the image of the EU and the EU MS as the primary partner of choice in their own processes towards decoupling economic growth and negative climate change impact. It will thus be an operational example of Climate and Economic diplomacy.

2.6 Cross-cutting issues

The action will consistently mainstream relevant crosscutting issues, such as gender equality, sustainable economic development, and environmental sustainability.

Given the focus on low carbon business sectors, support to positive climate action forms the backbone of this action. In addition, measures will be taken to reduce the environmental impact of the action's activities.

Efforts will also be made towards more accessible project resources, e.g. more accessible event venues, accessible project website etc.

Gender equity will be mainstreamed throughout the implementation of the action by aiming to (inter alia) ensure that women owned businesses, (both from EU and partner countries) are given adequate access to information and opportunities; that women business stakeholders are well represented in all activities etc.

Furthermore, EU companies selected to participate in the different activities will be assessed as regards their environmental, gender equality, human and worker rights policies with a view to share responsible business practice alongside technical solutions.

3 ACTION DESCRIPTION

3.1 Objectives

The overall objective of this action is to enhance the position the European Union as a leader in tackling climate change by promoting the decoupling of economic growth and CO2 emissions in the Americas.

The specific objective of the project is to establish long-term SMEs and clusters business partnerships in the areas of low carbon and circular economy between the EU and selected partner countries in the Americas.

The action will combine concrete internationalisation of EU technology solutions with more strategic long-term cooperation between companies in selected partner countries with European SMEs, notably through clusters, on joint projects. The proposed strategy will therefore facilitate greener value chains that deliver climate and biodiversity benefits. The project will facilitate the uptake of low carbon technology by industries in areas such as energy production and consumption, transport, manufacturing processes, waste management, agriculture and forestry. It will therefore also contribute to alliance building in getting worldwide support for carbon transition.

The following results and indicative activities will help achieve the objectives mentioned above:

**R.1 European technical and business solutions in the fields of low carbon and circular economy identified**
- Create a mapping of sectors with strong business potential for collaboration between European clusters and SMEs and companies in selected partner countries. The mapping will also identify the trade, regulatory and investment barriers in the target sectors and inform the EU delegations concerned so that those can be taken up in the existing policy dialogues and other appropriate fora in/with the partner countries.
- Roll out a communication strategy and activities to recruit SMEs and cluster and business support representatives in the target sector in the EU and in partner country market and to promote the results of the action. A close cooperation with national and international financial institutions will also be ensured.
- Facilitate the match between the partner country demand for technical and business solutions and those available with the European clusters and SMEs. Preparatory webinars and matchmaking events to be organised. Specific Business Partnership Agreements should emerge from these activities.

**R.2 Provision of European technical solutions in the field of low carbon and circular economy facilitated**
Activities to deploy European technical solutions ranging from the signature of Business Partnership Agreements to technical assistance:
- Formalisation of Business Partnership Agreements
- Submission, evaluation and ranking of concept notes for joint business projects, following consultation with the European IPR helpdesk if relevant.
- Provision of technical assistance to selected Business Partnership Agreements to develop commercially viable projects and greater access to finance
- Reporting of results to feed ongoing policy dialogues on climate change, energy and circular economy with partner countries.

### 3.2 Stakeholders

The main stakeholders of the action are:

- EU businesses, with particular focus on SMEs, business clusters, business associations and networks active in the areas prioritised for the action intervention.
- Partner Country private sector stakeholders interested in business partnership in the sectors of intervention of the programme as well as business representatives/associations and SME associations engaged in relevant sectors;
- Regional/municipal public stakeholders, in particular in cases where municipalities run businesses related to the sectors relevant to this action (e.g. waste management).
- National governments and their relevant ministries and agencies, with whom the EU is interacting in the framework of the policy dialogues and cooperation in the sectors targeted in this project, e.g. energy sector;
- Financial institutions and investors.
- European Member States Embassies, Trade offices, Chambers of Commerce and Industry and trade promotion agencies present in the partner countries.
### 3.3 Risk assessment and management

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Risk level (High, Medium, Low)</th>
<th>Mitigating measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the political landscape of the partner countries</td>
<td>High (Brazil)</td>
<td>Close monitoring of the political situation in the partner countries to identify such risks early on. As far as possible, ensure a flexible project design so that it can be adapted to the evolving political situations if needed</td>
</tr>
<tr>
<td></td>
<td>Medium (Mexico)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium/low (rest of countries)</td>
<td></td>
</tr>
<tr>
<td>Cooperation between partners from the EU and third countries may face economic challenges and/or lack the necessary financial support to concretely implement joint projects</td>
<td>Medium</td>
<td>Ensure: • selection of commercially viable concept notes • close cooperation and coordination with the technical assistance • close cooperation and coordination with potential investment/financial institutions</td>
</tr>
<tr>
<td>Partners’ interest in the projects may decrease progressively due to changing circumstances, while the provision of technical assistance continues</td>
<td>Medium</td>
<td>Ensure the shortest process between the matchmaking activity that bring together partners for the first time and the concrete delivery of the technical assistance</td>
</tr>
<tr>
<td>Risk related to the effective protection of IPRs</td>
<td>Medium to low</td>
<td>Contractor to carefully and ethically handle issues related to industrial secrecy, intellectual property rights, etc.</td>
</tr>
</tbody>
</table>

### 3.4 Communication and EU visibility

Communication and visibility of the EU is a legal obligation for all external Actions funded by the EU.

Appropriate contractual obligations shall be included in, respectively, the procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action⁴, which came into force on 1 January 2018, shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

This Action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

The strategic communication plan will be promote 2 levels of communication:

- **Regional level**: The strategic communication plan will consider the regional impact of the EU. The promotion of the Circular Economy and the key role of the EU in the implementation of the Paris

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Agreement will be a common thread running through all regional activities (regional seminars, experience sharing, regional social networks communication tools, etc.).

- **Partner country level**: Strategic communication plan will also focus on Private Sector awareness (in partner countries and the EU) on low carbon and EU SME's innovative technologies. The communication approach will be based on concrete ‘Cluster to Cluster’, ‘Cluster to Business’ and ‘Business to Business’ methodology.

On both communication levels, the European Cluster Collaboration Platform could play a key role in identifying the best communication channels and in disseminating the selected messages.

### 4 IMPLEMENTATION ARRANGEMENTS

#### 4.1 Method of implementation

*Procurement (direct management)*

(a) The programme will be implemented via service contract(s).

(b) Indicative timing: call(s) for tender expected to be launched 2nd Quarter 2019.

#### 4.2 Indicative budget

<table>
<thead>
<tr>
<th>Method of Implementation</th>
<th>Amount in EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement (Direct Management) – Canada</td>
<td>3.50</td>
</tr>
<tr>
<td>Procurement (Direct Management) – Mexico</td>
<td>3.00</td>
</tr>
<tr>
<td>Procurement (Direct Management) – Brazil, Argentina, Colombia and Chile</td>
<td>13.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20.00</strong></td>
</tr>
</tbody>
</table>

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

#### 4.3 Organisational set-up and responsibilities

Relevant EU services will ensure technical steer to each of the service contract foreseen under this action, as well as the technical coherence of the project as a whole.

Relevant EU services will also provide regular technical support relevant to their respective areas of expertise and to ensure coherence of this action with the thematic/sector specific priorities and the political dialogues that the EU has with the partner countries.

To ensure proper project governance and strategic orientation, a Steering Committee will be established. The Steering Committee will include representatives of relevant EU services in Headquarters and in Delegations in all targeted countries as well as the project implementation team. It will meet at least once a year, starting with a kick-off meeting during the inception phase of the project.

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5 [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.
4.4 Performance monitoring

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process and part of the implementing entity’s responsibilities. To this end, the implementing entity shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results. The progress and final reports shall provide quantified and qualitative data in relation to the logical framework indicators which will include relevant indicators from the list of core and corporate indicators.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the Action. The final report, narrative and financial, will cover the entire period of the Action implementation.

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

4.5 Evaluation and audit

For this Action, the Commission may carry out interim and/or final/ex-post evaluation(s) via independent consultants contracted by the Commission based on specific terms of reference.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments.

As the “N+1” rule applies for contracting under this decision, external evaluations and audits, as well as additional external monitoring referred to under section 4.4. above, will be funded from sources other than those allocated to this specific Action.