

Annex 4

of the Commission Implementing Decision on the ENPI Regional South Annual Action
Programme 2013 –Part I

Action Fiche for Support to trade development in southern Mediterranean through the Agadir Agreement – Phase III

1. IDENTIFICATION

Title/Number	Support to trade development in Southern Mediterranean through the Agadir Agreement – Phase III CRIS number: No. ENPI/2013/316-989		
Total cost	Total estimated cost: EUR 4,330,000 Total amount of EU budget contribution: EUR 4,000,000.		
Aid method / Method of implementation	Project approach – Direct centralised management grants – direct award		
DAC-code	33130	Sector	Regional Trade Agreements

2. RATIONALE

2.1. Summary of the action and its objectives

The aim of the action is to contribute to trade development and economic integration in the Southern Mediterranean through the implementation of the Agadir Agreement, as a milestone towards the realisation of a Euro-Mediterranean free trade area.

The objective of the EU project is the consolidation of the institutional framework set up under the Agadir Agreement for establishing a Mediterranean Free Trade Area, including the sustainability and credibility of the Agadir Technical Unit (ATU) as an international body, having the necessary capacity to facilitate regional economic integration and to serve the trade development needs of government and private sector in the Member Countries.

2.2. Sector context

The Agadir Agreement for establishing a Mediterranean Free Trade Area was signed by the Governments of Egypt, Jordan, Morocco and Tunisia on 25 February 2004. The Palestinian Authority has formally requested accession to the Agreement. The accession of Palestine is supported by the EU. The EU support to the Agadir free trade area contributes towards the EU's Mediterranean trade policy objective of

creating a Euro-Med free trade area through a network of free trade agreements involving all the EU's regional partners. The improved trade environment will contribute to economic development and integration objectives pursued by the EU in the Mediterranean region.

The share of the intra-Agadir trade in the total trade of the Member Countries increased by 51% in 3 years only (from 2.2 % in 2006 to 3.4 % in 2009) – although this increase was stalled in the period 2010-12 due to the global economic crisis and political challenges in the region. Regional trade flows and economic integration between these South Mediterranean countries remain far below expectations. The South Mediterranean countries have until recently attached greater importance to their trade relations with the EU than to the development of strong exchanges with their neighbours, and barriers to trade within the region remain high.

The EU preferential trade agreements system in the Mediterranean area will remain incomplete in the absence of an effective implementation of a deep and comprehensive South/South Free Trade Agreement.

Despite the political and financial difficulties in the region, the Agadir Member Countries are increasing efforts to secure further progress and sustainability of the Agadir Agreement. Ministerial Committee decisions have launched several processes for the years to come. Approximation and harmonization of laws, policies and procedures between the four member states on different economic and trade sectors like customs, export and import procedures, competition are underway. The Member Countries are also currently engaged in negotiations to liberalize trade in services.

In the light of the above, the EU has been supporting the Agadir Technical Unit since its inception in 2007 until mid-2013. The present programme intends to extend this support.

2.3. Lessons learnt

Lessons learnt from Results Oriented Monitoring in 2010, 2011 and an evaluation carried out in 2012 in relation to past and on-going interventions can be summarized as follows:

- Regional trade flows and economic integration between Agadir countries remain far below expectations. The four members' states have the same level of maturity but they are competing against each other because they are producing the same products.
- Coordination and capacity building activities at national level should be strengthened.
- The ATU needs to focus on a reduced number of activities of its core mandate, where it can offer real value added to the various stakeholders (mainly governments and private sector).
- Coherence must be ensured with other bilateral and regional EU actions which contribute to regional integration and trade facilitation.

2.4. Complementary actions

Several EU bilateral and regional programmes have potential to contribute to improved regional trade integration. The present programme will develop synergies and complementarity with all relevant on going and future actions including the following ones:

- EU regional initiatives to facilitate infrastructure and transport connectivity in the region such as Euromed Transport Project, Mediterranean Motorways of the Sea – Maritime transport connections.
- The Euro-Mediterranean Trade and Investment Facilitation Mechanism – Online Services.
- A forthcoming service contract "Support to Enhancement of the business environment in the southern Mediterranean" to facilitate setting in place a favourable regulatory framework for SMEs throughout the region.
- A forthcoming grant "Support to business and investment partnerships in southern Mediterranean" to provide adequate support and linkage services for micro and SMEs, in a variety of promising sectors at regional or sub regional level.

In addition, the ATU will continue liaising with the Swedish International Development Agency (SIDA) to support the regional initiative on mutual recognition of conformity assessment and accreditation following the Memorandum of Understanding signed in 2013.

2.5. Donor coordination

The EU was initially the sole external donor supporting the Member Countries in the Agadir process. However, since 2011, the ATU has engaged in a process of building linkages with other International Organisations, Donors and initiatives (see above). Therefore, the present programme will ensure co-ordination with all relevant initiatives including those carried out by the EU Delegations of the countries of the Agadir Agreement. The role of the ATU as a communication channel and facilitator of the Member Countries will also be geared up.

3. DETAILED DESCRIPTION

3.1. Objectives

The overall objective of the EU support is to contribute to trade development and economic integration in the southern Mediterranean through the implementation of the Agadir Agreement, as a milestone towards the realisation of a Euro-Mediterranean free trade area.

The purpose of the EU support is the consolidation of the institutional framework set up under the Agadir Agreement for establishing a Free Trade Area, including the sustainability and credibility of the Agadir Technical Unit (ATU) as an international

body, having the necessary capacity to facilitate regional economic integration and to serve the trade development needs of government and private sector in Member Countries.

3.2. Expected results and main activities

The expected results of the EU support are:

Result 1: ATU supported administratively and financially to act as driving force and catalyst in the implementation of the Agadir Agreement

The ATU was established in 2007 by virtue of the Agadir Agreement to protect its affairs and have the power to provide technical consultations and support the harmonisation process in all matters related to the implementation of the Agreement.

According to the Agadir Agreement, the ATU is charged with undertaking any action which may contribute to achieving the aims and objectives of the Agreement, giving it a very broad remit. It must be able to intervene in the clarification of the “rules of the game” and to prepare and supply technical recommendations to the Member Countries, notably in legal matters, customs procedures, rules of origin, etc. The ATU will therefore receive under the present programme technical, administrative and financial support to ensure its credibility and sustainability.

The present action will strengthen the ATU's capacities as regards administrative, technical and managerial issues, including the facilitation of the accession process of new members. In particular, in relation to trade-related technical expertise required to fulfil its mandate, the following competences will be developed:

- Non-tariff barriers (NTBs)

According to the protocol establishing the ATU, the ATU shall work to remove all non-tariff barriers to trade between the member states. A number of ATU activities will contribute to removing NTBs between the Member Countries, including conformity assessment and customs facilitation. The member states have identified the list of the most traded products between the four member states to be subject for the forthcoming Memorandum of Understanding.

- Conformity assessment

The four Member Countries of the Agadir Agreement have signed a MoU on mutual recognition of conformity certificates in December 2009 after the trade ministers of Agadir countries took the decision in their meeting in Cairo in August 2008. The aim of the MoU is to facilitate trade between the Member Countries by reducing the costs, time and efforts in their intra-trade; the MoU is an important step towards removing Technical Barriers to Trade (TBT) on the regional trade. According to the MoU a complete and comprehensive program including training, exchange information, studies and capacity building activities will continue being implemented with significant contribution by the ATU. The MoU also established a Joint Committee to follow up the implementation of the programs as well as discussing all

issues related to the TBT. The Joint Committee meets regularly to review progress and expand the work-programme.

- Rules of origin

The ATU organises regular meetings for the Rules of origin (RoO) experts in the four Member Countries to coordinate their position regarding the ongoing negotiations to amend the Pan Euro-Med RoO protocol, based on the decision made by the Ministers Committee in their meeting held in Amman (2007), and confirmed by the second Technical Committee meeting held in Tunisia (June 2011). The aim of the RoO meetings is to reflect the interests of Agadir countries on the negotiations with EU. The ATU will keep this coordination initiative as long as the negotiations are on-going. Also, based on a Technical Committee decision (Tunis, 2011), the ATU will organize training programmes for the customs officials in Agadir countries on rules of origin issues to update them with the best practices regarding the implementation of the Pan Euro-Med protocol on rules of origin.

- Services and investment

The third Technical Committee meeting held in Rabat (May 2012) approved the initiative proposed by the ATU to liberalize trade in services between the four Member Countries and called for holding meetings for experts to launch the negotiations. The meetings will discuss the legal framework prepared by ATU regarding the liberalization of trade in services between Member Countries and the priority sectors and expected to be continued during the coming period. The follow up work will be carried out by ATU. The aim is to gradually liberalize trade in services between the four Member Countries especially in the sectors that have direct impact on the growth of trade exchange such as transportation services, financial services and distribution services.

- Competition

A complete and comprehensive program on Competition has been approved by the Technical Committee held in Rabat (May 2012); the program helps to create a positive atmosphere for economic integration by maximizing the benefit from the implementation of competition policy in the Member Countries. Moreover, it will unify efforts in coordinating policies, harmonizing legislations between Member Countries, and the foundation of a team of qualified personnel to take advantage of training opportunities, technical assistance and exchange of experts. According to the program, number of activities will take place during the coming period including training, field visits to European Competition authorities and developing the competition polices. The Agadir Trade Ministers should sign a MoU on cooperation in the field of competition in 2013 including a work-programme of activities that the ATU will support.

- Intellectual Property Rights

According to the Technical Committee's decision (May 2012), a work plan for IPR has been approved with three years duration and subject to renewal, the plan aims at establishing (consolidate) cooperation and integration between concerned bodies and

department regarding intellectual property issues in the member countries. This work plan to be implemented by the ATU consists of several activities including training, awareness for private business, exchanging information, exchanging expertise on confronting piracy, the protection of Folklore, heritage and cultural expressions, and enhancing cooperation with the European patent office.

- Dispute settlement

Article 10 of the protocol establishing the ATU and article 28 of the AA, is calling for drafting a dispute settlement mechanism to solve any trade disputes that may arise between the Member Countries. Accordingly, in January 2013 the Member Countries approved launching the discussions on the draft protocol prepared by the ATU on dispute settlement mechanisms; the ATU will prepare, in this regards, a schedule of meetings for specialists from the Member Countries. The ATU will support the holding of expert meetings during the coming period to establish a legal framework as a reference for resolving any trade disputes among Agadir Member Countries regarding the implementation or interpretation of the agreement.

- Anti-dumping

The second Technical Committee meeting (Tunisia , June 2011), approved the draft protocol on antidumping, subsidy and safeguard measures among Agadir Member Countries, the ATU will organise meetings to discuss the executive program of the cooperation protocol which was initially approved during the meeting held in Amman (March 2012). The ATU will support a sustainable cooperation between the investigations authorities in the Member Countries on antidumping, subsidy and safeguard measures, to create mechanisms to coordinate between Member Countries on on-going trade negotiations in this regard internationally and regionally and to develop the performance of investigation authorities in antidumping, subsidy and safeguard measures.

Result 2: Regional trade facilitated/National capacities enhanced

The ATU will facilitate co-ordination among Agadir Member Countries to reduce obstacles to trade caused by Non-Tariff Barriers (NTBs). It will work on the identification of specific technical issues and related trade costs, and will increase transparency through the development of databases and publication of information on the identified NTBs.

The action will support the work, capacity and expertise of the members of working groups established (or to be created) on specific technical issues, in particular customs harmonization, intellectual property rights, sanitary and phyto-sanitary issues, competition policy, and government procurement. Involvement of international experts will be facilitated, if needed, as well as support logistical costs. The working groups will include trade representatives from the Member Countries, from applicant countries as appropriate, international trade experts, and ATU staff. Representatives from the private sector may be invited, including from applicant countries. The aim will be to develop common technical conclusions and recommendations to be submitted to higher instances of the Agadir Agreement.

Sectoral studies will be undertaken to complement and support the working groups when needed. Indeed, the purpose of the studies is to identify prospects for increased trade and industrial cooperation between partners as well as identification of constraints and opportunity. In this regard the member states have identified certain priority areas for expected studies to be undertaken during the coming period, in particular in the areas of agro-food industry, furniture, pharmaceutical and investment opportunities.

Result 3: Awareness and interest of the private sector to increase trade through the Agadir Agreement processes raised

The involvement of the private sector has been identified by all stakeholders as a condition of success of the regional integration process. It is also necessary to extend awareness raising activities to the EU and other international markets to alert potential investors to new business opportunities offered by the larger market available. Thus the project will support a programme of awareness and promotion activities based on the opportunities for regional integration provided by the Agadir Agreement, mainly aimed at the private sector, including in applicant countries. The project will disseminate information on the impact, mechanisms and the opportunities of the Agadir Agreement, and will also be instrumental to facilitate interfaces of regional business networks.

The action will raise awareness and improve knowledge in the countries in the region, and in the EU/international business communities, of opportunities for increased trade and industrial cooperation created by the Agreement. It will facilitate the commitment of export and industrial lobbies into the Agadir trade integration process. This includes the enhancement of the ATU website (www.agadiragreement.org).

3.3. Risks and assumptions

The present programme is based on the following main risks and assumptions:

- The complementarities between the economies of the partner countries have been insufficient, preventing the regional integration process to move forward within a reasonable timeframe. The assumption is that the medium to long-term development plans of the Agadir countries will promote economic and trade diversification.
- The lack of transport infrastructure and direct connectivity among the Member Countries remains a challenge – having regard of the relative high transport costs – for further intra-regional trade. The assumption is that investment in transport infrastructure and connectivity in the Mediterranean region at large will be intensified in the short to medium term.
- The partner countries' sense of shared interests, and willingness to co-ordinate effectively their efforts to remove barriers to regional integration proved insufficient. The private sector in the partner countries remains defensive rather than supportive to the process of trade barriers identification and reduction. The assumption is the political willingness of the current Agadir countries in

pursuing and deepening intra-regional trade agenda, and opening to participation to new countries.

- Insufficient human resources and budgetary constraints in the ATU and in the Member Countries to cope with the Agadir Agreement mandates and increasing core of competences. The assumption here is that Agadir stakeholders and public authorities see economic value in economic integration and devote more of their own resources to make the ATU authoritative and financially independent from the EU support.

3.4. Cross-cutting Issues

The project concerns the strengthening of an institution to foster the economic integration process in the region. As such, it has no direct social and environmental benefits or consequences. Nevertheless, in promoting further economic and trade convergence among its Member Countries, the ATU will endeavour so that general environmental, inclusiveness and human rights considerations are kept into account. Good governance: the project will contribute to improved policy analysis leading to relevant legislative and institutional reform, improving economic governance in areas relevant to trade and economic development.

3.5. Stakeholders

The ultimate beneficiaries of the EU support are the Agadir Member Countries. Direct beneficiaries of the programme activities the entities forming the institutional framework of the Agadir Agreement as follows:

- The Agadir Technical Unit that is in charge of protecting the affairs of the agreement as mandated by the Foreign Affairs Ministers Committee.
- The Foreign Affairs Ministers Committee: the mandate of this committee is to discuss and take decisions on certain political issues such as: appointing the executive president of the ATU and enlarging the Agreement to new member countries.
- The Senior Officials Committee: the members of this committee are the senior officials from Foreign Affairs Ministries and its mandate is to discuss and make recommendations to the Foreign Ministers Committee.
- The Foreign Trade Ministers Committee: which gives the approval for the annual work plans of the ATU and takes the decisions in all trade related issues covered by the agreement
- The Technical Committee: the Members are the senior officials from Foreign Trade Ministries in the four Member Countries and mandated from the ministers committee to discuss all trade issues covered by the agreement and sending its recommendations to the ministers committee to take decisions.

Other stakeholders in the project are the private sector and various private sector representative bodies, chambers of commerce and industry, and sector associations in the four Member Countries are also considered as beneficiaries of the outcomes of

the Agadir Agreement, and as such, are considered as key stakeholders of the EU support.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner countries, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 40 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

4.3.1. Grant: direct award (direct centralised management)

- a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of the EU grant is the consolidation of the institutional framework set up under the Agadir Agreement establishing a Mediterranean Free Trade Area, including the sustainability and credibility of the Agadir Technical Unit (ATU) as an international body, having the necessary capacity to facilitate regional economic integration and to serve the trade development needs of government and private sector in Member Countries.

The main activities will encompass the provision of short-term technical assistance, training, design of sector strategies, studies and preparation of guidelines, procedures and manuals related to trade facilitation and the promotion of trade and investment. Other activities will include the organisation of workshops and conferences, the facilitation of participation of delegates to these events if needed, the regular update of the ATU website and the dissemination of information on trade and investment opportunities offered by the Agadir Agreement in particular to private sector.

The expected results of the grant are:

- ATU supported administratively and financially to act as driving force and catalyst in the implementation of the Agadir Agreement;
- Regional trade facilitated/trade capacities of the Agadir Member Countries enhanced;
- Awareness and interest of the private sector to increase trade through the Agadir Agreement processes is raised.

b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to the Agadir Agreement Technical Unit.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified because the beneficiary is in a legal or factual monopoly situation or is identified as beneficiary in the basic act on which this decision is based.

c) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 93%.

The maximum possible rate of co-financing may be up to 100 % in accordance with Articles 192 of the Financial Regulation and 109 of the Financial Regulation of the 10th EDF if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the ENPI on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR	Third party contribution (indicative, where known)
4.3.2. – Direct grant to the Agadir Technical Unit (direct centralised)	4,000,000	330,000
Total	4,000,000	330,000

4.6. Performance monitoring

The performance monitoring indicators for this project will relate to the number of MOUs, list of harmonised procedures, technical regulations, products, etc, covered for preferential and/or free trade among Agadir Member Countries. To achieve these results an increasing number of technical working groups will be created / its technical capacity enhanced through increased training and exposure to international capacity (indicators will monitor training sessions and sector studies used by working groups related to the specialised areas of conformity assessment, rules of origin, NBTs, IPR, services and investment, dispute settlement, antidumping and antitrust measures). Other indicators will measure awareness by private sector and international trade and investment actors in opportunities offered by the Agadir Agreement to trade in the region and resulting changes in the share of preferential trade among the Agadir Agreement member countries and utilisation rate of the Agadir Agreement rules by economic operators.

Reports will be prepared by the ATU and submitted to the Commission. Annual progress reports will be submitted, providing information on individual activity progress in terms of budget consumption, implementation times plan and activity completion. A Final report will be submitted at the end of the project activities.

A Joint Steering Committee with participation of observers including the National Coordinators, experts from relevant Commission services, EU Delegations and other relevant stakeholders will provide orientations and guidance for the efficient and proposer implementation of the present programme. The Annual Work Plan will notably be submitted to the Joint Steering Committee.

4.7. Evaluation and audit

The implementation of the programme will be the subject of a regular follow-up by the Commission services. The programme will be the subject of an external evaluation managed by the Commission services after two years of implementation paying particular attention to the future sustainability of the ATU and the need to increase the share of the financing originating from the Agadir Agreement's Member States. The programme may be subject of external audits by the Commission services on a yearly basis, following the adoption of each Annual Working Plan. A final audit may also be performed before the end of the closure phase.

4.8. Communication and visibility

Communication and visibility activities will be carried out in accordance with provision of the Visibility Guidelines¹. The project will work out a specific communication strategy and develop specific activities dedicated to communication and visibility in particular to raise awareness with private sector to fully exploit the trade opportunities created by the Agadir Agreement. The web-site managed by the ATU (www.agadiragreement.org) will be enhanced.

¹ published by EuropeAid