

ANNEX

ACTION FICHE FOR THE ENPI SOUTHERN REGION

1. IDENTIFICATION

Title/Number	Support for implementation of the Agadir Agreement – Phase 2 (CRIS: 19-914)		
Total cost	EC Contribution €4 million Partner countries financial contribution estimated €330 000		
Aid method / Method of implementation	Project approach – Centralised management		
DAC-code	33130	Sector	Regional Trade Agreements

2. RATIONALE

2.1. Sector context

Regional trade flows and economic integration between South-Med countries remain far below their potential. The Med 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 excessive.

The EU preferential trade agreements system in the Mediterranean area will remain incomplete in the absence of an effective implementation of a South/South FTA similar to all other FTA implemented by the EU.

The Agadir Agreement signed by the Governments of Egypt, Jordan, Morocco and Tunisia on 25 February 2004 is a practical response to these challenges. 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.

2.2. Lessons learnt

The design of the second phase of EC support to the Agadir process takes account of the conclusions of an assessment of the first phase of activities implemented under the 2004 Financing Agreement during the period 2005 – 2008, as follows:

- The EC TA support project to the Agadir Agreement was relevant to EC regional policy objectives and the MEDA partner countries needs. This support contributed to progress in an environment where regional integration and co-operation have long been stalled. Expectations should not, however, be too high with regards to

intra-regional trade and integration. Much depends on domestic policies and the reliability of the institutional framework.

- A second phase of activity requires more efficient implementation arrangements, based on the existence since April 2007 of the Agadir Technical Unit as a sustainable institutional counterpart. The validity of EC support for the second phase depends on continued support by the partner countries for the Agreement and capacity building for the ATU.
- The Agreement has not yet led to a significant increase in trade between the partners. The potential for diagonal cumulation of origin as a driver for regional integration and export development to the EU market has not yet been demonstrated. Removal of non-tariff barriers is critical to future progress. The new project should contribute to developing awareness in the private sector of the need for regional integration and the removal of barriers.
- Coherence must be ensured with other bilateral and regional EC actions which contribute to regional integration and trade facilitation.

2.3. Complementary actions

Many elements of EC bilateral and regional programmes have potential to contribute to improved regional trade integration, and could be better exploited for synergies.

Cooperation with the members of the task force on trade statistics in the frame of MEDSTAT II is an example. In a similar way, the project will seek to benefit from the experience accumulated by the EuroMed Market programme. Investment and trade promotion activities in the EU will be organised in coordination with the recently launched “Invest in Med” program (EC budget commitment of 9 m€), to benefit from the experience and know-how of this network and to maximise synergies. Euro-Med Quality and Medibtikar provide opportunities for synergy

Bilateral EC programmes with the partner countries in areas such as technical standards, customs and enterprise development will be harnessed to serve the objectives of regional trade integration.

2.4. Donor coordination

The EC is currently the sole external donor supporting the partner countries in the Agadir process. However, it will be necessary to maintain co-ordination with various relevant donor funded activities impacting on trade development in the region. EC Delegations in the four partner countries are involved in the specific aid coordination mechanisms in each country. In addition there is an important process of developing improved coordination on commercial and economic issues between the EC and the EU Member States. These coordination mechanisms should take account of regional trade integration issues, and that relevant outputs should be available to the ATU.

3. DESCRIPTION

3.1. Objectives

The objective of the project is to contribute to the realisation of a Euro-Mediterranean free trade area and economic integration within in the region.

The project purpose is the consolidation of the institutional framework set up under the Agadir Agreement.

The main outcome foreseen at the end of the project is the sustainability and credibility of the Agadir Technical Unit as an international body having capacity to promote regional trade integration and to serve the needs of governments and private sector in the partner countries.

The private sector in the partner countries will benefit from improved trade environment. Member governments will benefit from having an effective institutional framework for pursuit of their regional trade objectives. EU business will benefit from integration and growth of trade in the Mediterranean region, through the development of a better environment for trade, and a consequent improvement in investment and market opportunities. The EU as a whole will benefit from the completion of the Euromed preferential trade agreements system.

3.2. Expected results and main activities

The project will support the Agadir Technical Unit (ATU) in achieving the objectives of the Agadir Agreement as regards creation of a free trade area, promoting economic integration within the Agadir area and with the European market. Work will focus on identifying the potential for, and removing constraints on, expanded intra-regional trade.

In order to realise the objectives of the Agreement, the ATU Unit must be consolidated, and its sustainability must be assured through a long-term commitment by the partner countries. This requires that the ATU gains a reputation for providing clear benefits to the governments and to the private sector in the partner countries. Its service role will cover various areas such as development of databases on technical standards, identification and removal of non-tariff barriers to trade, advice on application of the Agadir Agreement and the Pan-Euro Med rules of origin; promotion of trade and investment.

Institutional development will be supported through administration and technical management assistance, provision of resources permitting training and the mobilisation of experts required by specific project activities, and a limited contribution to the ATU operating budget.

Technical assistance provided by EU and regional experts will be contracted by the ATU under EC procedures. The main activities and expected results can be summarised according to 3 main components, as follows:

3.2.1. *Component 1 : Institution building*

The project will support the ATU to become a centre of expertise on the Agadir trade integration process. The ATU will receive technical, administrative and financial support to ensure its credibility and sustainability, through two sub-components.

3.2.1.1. Technical and administrative assistance to the development of the ATU

According to the Agadir Agreement, 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 partner countries, notably in legal matters, customs procedures, rules of origin, etc. The project will strengthen the ATU's capacities both as regards administrative and management issues, as well as for trade-related technical expertise.

3.2.1.2. Dissemination of information on the Agadir integration process

The ATU needs to be able to measure regional trade precisely and to become an authoritative source of this information. Furthermore, the design and realisation of information systems permitting the ATU to assume an effective role in responding to the information needs of the private sector, representative bodies and public institutions in the partner countries is necessary.

The private sector will be invited to contribute to this information platform. A preliminary identification and review of similar websites will avoid duplication and will facilitate the design of the ATU website, taking account of relevant models and best practise as regards the websites of other region trade groupings.

3.2.2. *Component 2 : Regional trade facilitation.*

Trade flows between the countries involved in the Agadir arrangement remain low. Trade cost variables are particularly significant in explaining their trade patterns. It is less costly for them to trade with extra-regional countries than among themselves. Component 2 will support the ATU to reduce the disincentives to regional trade. Areas of activity will include :

3.2.2.1. Identification and analysis of Non Tariff Barriers

While it does not implement partner countries trade policies, the ATU must achieve a role in resolving trade problem cases for the private sector. A critical issue for its credibility is the reduction of Non Tariff Barriers (NTB). The project will support identification and analysis of NTB, development of databases and information materials, and will support the ATU in co-ordination of efforts between the partner countries to reduce the impact of NTBs on trade.

3.2.2.2. Support technical working groups

The project will support the creation of working groups on specific technical issues, like customs harmonization, intellectual property rights, technical sanitary and phyto-sanitary standards, competition policy, and government procurement. Assistance will be supplied to recruit international experts, if needed, and to support logistical costs.

The working groups will include trade representatives from the partner countries, international trade experts, and ATU staff. Representatives from the private sector may be invited. The aim will be to develop common technical conclusions and recommendations, with a view to securing political agreement/commitment by the partner countries.

3.2.2.3. Training

Complementing other trade facilitation work, the project will support training activities in areas, including application of the Pan Euro-Med Rules of Origin, the use of cumulation of origin, standards and norms, customs cooperation, government procurement, intellectual property rights, and other fields relevant to the Agadir Agreement.

Training programs will include customs officials and private sector representatives. They will be conducted in the coming years on the model of the Pan Euro Med Rules of Origin training program that was successfully implemented in 2007, with an extension to include business associations and chambers of Commerce.

3.2.2.4. Economic and sectoral studies

This component will complement and interact with the other trade facilitation activities of the project as well as with the promotion activities.

Implementation of component 2 will increase the credibility of the ATU as a support institution to trade and economic integration in the Agadir Area. It will create expert capacities within the ATU on trade barriers and it will allow the ATU to provide the stakeholders critical information and analysis on trade barriers and opportunities in the region. Thus it will respond to private sector needs and it will create the possibility of resolving trade blockages through trade-offs.

3.2.3. *Component 3: Awareness raising and promotion activities aimed at the private sector*

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 to alert potential investors to new business opportunities offered by the larger market available.

Thus the project will support an ambitious programme of awareness and promotion activities based on the incentives for regional integration provided by the Agadir agreement, mainly aimed at the private sector. This component will disseminate information on the impact, mechanisms and the opportunities of the Agadir Agreement, and will also be instrumental to facilitate the establishment of regional business networks.

Implementation of Component 3 will lead to improved knowledge in the partner countries and in the EU business communities of opportunities for trade and industrial cooperation created by the Agreement. It will facilitate the commitment of export and industrial lobbies into the Agadir trade integration process. Additionally,

industrial cooperation promotion activities will allow the ATU to identify Agadir enterprise success stories, for promotion purposes.

3.3. Risks and assumptions

The project design is based on the following main assumptions:

- a) The shared political commitment of the partner countries to the Agadir process, which was reconfirmed through the steps taken by the partner countries during 2006 and 2007 regarding the ratification of the Agadir Agreement and the setting-up of the ATU, will be sustained.
- b) On the basis of this political commitment there will be a willingness to ensure that necessary steps are taken to ensure the sustainability of the ATU through the allocation of the necessary human and financial resources.
- c) In particular the partners will renew their financial contribution to the ATU after 2010.
- d) The currently staffing level of the ATU may be insufficient to effectively implement the planned activities. Partners will support an increase in professional staff numbers from four to eight, by 2010 at the latest.
- e) The partner countries will be again able to agree on nominating a suitable candidate for the key role of ATU Executive Director when the mandate of the current incumbent ends,
- f) Quality of recruited ATU staff and TA is good and management effectiveness is high
- g) There is commitment and willingness on the part of the partner countries to develop intra Agadir-trade and pursue dismantling of trade barriers;

The following risks have been acknowledged :

- a) Inadequate human and financial resources are allocated by the partner countries to permit the ATU to effectively develop its role in line with the objectives of the Agadir Agreement.
- b) The partner countries' sense of shared interests, and willingness to co-ordinate effectively their efforts to remove barriers to regional integration proves insufficient.
- c) The complementarities between the economies of the partner countries are insufficient, preventing the regional integration process to move forward within a reasonable timeframe
- d) The private sector in the partner countries remains defensive rather supportive to the process of trade barriers identification and reduction.

3.4. Crosscutting Issues

The project concerns the development of an institution to foster the regional integration process in the region. As such, it has no direct social and environmental benefits or consequences. Nevertheless the final objective of regional integration is increased prosperity and sustainable development in the region, and will hence have positive impacts. 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

Stakeholders in the project include:

- The Agadir Technical Unit
- Administrations in the four partner countries, including ministries of trade and industry, and other bodies with competences related to international trade, including customs and technical standards bodies in the partner countries.
- Private sector and various private sector representative bodies, chambers of commerce and industry, and sector associations in the four partner countries.
- The EU, which has a strategic interest in promoting prosperity through enhanced trade within the region.

The commitment of the four current Agadir member countries has been reconfirmed through the steps taken in 2006 and 2007 to complete the ratification of the Agadir Agreement, to adopt customs procedures required by the Pan-Euro Med rules of origin, and to support to the start-up of the ATU with a budget and human resources sufficient for an initial programme of activities.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

On the basis of Article 168.1. c) and f) of the Modex, the project will be implemented under direct centralised management through the award of a direct grant to the Agadir Technical Unit, also in accordance with the Financial Regulation applicable to the general budget of the European Communities, Article 108 1 (b), as well as Commission Regulation No.2342/2002 (last modified on 23 April 2007).

The grant agreement, including the arrangements for transfer of funds, monitoring and reporting, will be in conformity with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question, as defined in the "Practical guide to contract procedures for EC external actions".

4.2. Procurement and grant award procedures [*/programme estimates*]

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

4.3. Budget and calendar

Budget line	Activity (see section 3.2)		Total
1	Institution building (including technical and administrative assistance to ATU and dissemination of information)		1 580 000
2.	Regional trade facilitation (including Identification and analysis of Non Tariff Barriers, support for technical working groups, training, and economic and sectoral studies)		1 470 000
3.	Awareness raising and promotion activities aimed at the private sector (including country-based awareness raising events; regional trade and industrial cooperation forums; promotion activities in the EU; communication strategy and information materials)		1 150 000
4.	Other		130 000
4.1	Unforeseen and contingency	20000	
4.2	Audit & evaluations	100 000	
4.3	Communication and visibility	10 000	
	Total EC contribution		4000 000
	Partner countries contribution		330 000
	Total cost		4 330 000

The indicative operational implementation period of the project will be 42 months.

4.4. Performance monitoring

The performance monitoring indicators for this project will relate to the increase of the ATU staff numbers and to the commitment and willingness on the part of the partner countries to develop intra Agadir-trade and pursue dismantling of trade barriers, as well as to the results achieved in the implementation of specific actions in the following areas:

- preparation and dissemination of information materials and identification NTBs;
- delivery training and promotion activities;
- research on the potential for trade expansion;

Reports will be prepared by the ATU and submitted to the EC. 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.

4.5. 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 external evaluations

managed by the Commission services at mid-term period (beginning 2011) and a final evaluation immediately after the final date of activities is achieved. The programme will be the subject of an external audit managed by the Commission services on a yearly basis, following the adoption of each AWP. A final audit will also be performed before the end of the closure phase.

4.6. Communication and visibility

Communication and visibility activities will be carried out in accordance with provision of the Visibility Guidelines and related costs can be met from budget line 4.3 of the budget breakdown.

The project will work out a specific communication strategy and develop specific activities dedicated to communication and visibility.