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ANNEX

of the Commission Implementing Decision for Central America Regional Economic Integration

1. Title/basic act/ CRIS number	<i>Integración Económica Regional Centroamericana (INTEC)</i> CRIS number: DCI-ALA/2016/39051 Financed under Development Cooperation Instrument.	
2. Zone benefiting from the action/location	Central America The action shall be carried out at the following location: Panamá, Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala. The project team will be based in Ciudad Guatemala, at the offices of the Central American Secretariat of Economic Integration.	
3. Programming document	Multiannual Indicative Regional Programme for Latin America 2014-2020 - Sub regional Central America,	
4. Sector of concentration/ thematic area	Sector 1: Regional Economic Integration	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 22 000 000 Total amount of EU budget contribution EUR 20 000 000 Part of this action is co-financed in joint co-financing by: - The Netherlands for an amount of approximately EUR 1 000 000 The contribution of SIECA is EUR 1 000 000	
6. Aid modalities and implementation modalities	Project Modality Direct management: <ul style="list-style-type: none"> • Procurement of services related to Technical Assistance, Audit and Evaluation. Indirect management with : <ul style="list-style-type: none"> - The Central American Secretariat of Economic Integration (SIECA); - The Inter-American Development Bank (IADB); - The United Nations Secretariat - International Trade Centre (ITC) - The Ministry of Foreign Affairs of The Netherlands (Netherlands Enterprise Agency - Centre for the Promotion of Imports from 	

	developing countries, CBI).			
7 a) DAC code	33120 – 100% Trade Facilitation			
b) Main Delivery Channel	Channel 1: <i>Public Sector Institutions – 10000</i> Channel 2: <i>United Nations agency, fund or commission – 41000</i> <i>Regional Development Bank – 46000</i>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The current project proposal aims at strengthening the economic integration in Central America (CA) and maximizing the benefits of the implementation of the Association Agreement signed between the European Union and Central America (EU/CA AA) by reducing regional constraints to competitiveness and diversification in CA.

In line with CA's Trade Facilitation and Competitiveness Strategy, the Road Map for a Central American Customs Union and the Trade Facilitation Agreement of the World Trade Organization (WTO), the action will support trade facilitation and capacity to trade through the following components:

- 1) Modernization and convergence of regional regulatory framework: implementing EU/CA AA commitments and the roadmap for CA Customs Union,
- 2) Trade Facilitation regional IT infrastructure: the CA digital trade platform,
- 3) Strengthening CA capacity to trade in goods and services in view of taking advantage of the EU/CA AA.

The direct beneficiary of the action is the private sector. The leading institution is the Secretariat of the Central American Economic Integration (SIECA).

1 CONTEXT

1.1 Regional context

The Central American region had showed significant economic growth during the last years (4.6% estimated in 2015) but continues to faces complex development challenges in terms of poverty, inequality and citizen insecurity.

Bottlenecks to intra and extra regional trade are an important barrier to development and growth, notwithstanding the efforts made to reduce tariffs and improve market access. High domestic transportation costs, lack of harmonization and regulatory convergence and border crossings obstacles are amongst the most pressing hurdles. Overall logistic costs can add to more than 50% of the final price of goods traded in the region, affecting imports and exports, competitiveness and business climate in Central America.

According to SIECA monitor database, Central American exports in 2015 diminished by 7,3% (total of USD 2,204.8 million). The United States of America continues to be the main CA commercial partner (33,19), followed by CA countries (19,7%), the EU (10%) and México (9,3%).

1.1.1 Public Policy Assessment and EU Policy Framework

The trade pillar of the CA/EU AA has been applied since December 2013 and aims to increase bilateral trade between the two regions as well as to promote regional integration.

Regional convergence on economic integration, including trade facilitation, has been, since 2014, a priority for the SIECA member states, as stated in the Summits of Punta Cana (June 2014) and Placencia (December 2014). In 2015, the region, under the leadership of SIECA and with close association of the private sector, adopted an important set of policies and

strategies to ameliorate regional trade and competitiveness. The focus has been put on coordinated border management and customs union progress, with special attention to articulate with duties agreed in the framework of the **EU/CA AA** and in the **WTO Trade Facilitation Agreement**¹.

The **Central American Trade Facilitation and Competitiveness Strategy (CATFCS)**, adopted in December 2015, is now the single framework for regional trade development, paving the way for greater regional economic integration. The strategy articulates the different initiatives undertaken since 2014, namely the **Road Map for the establishment of CA Customs Union 2015-2024** (RCU, Antigua Guatemala June 2015) and identifies the priority areas of intervention. The strategic objectives, which orientate the development of programs and projects to improve regional competitiveness, are:

1. Improvement on trade facilitation and competitiveness
2. Connectivity and Infrastructure strengthening and modernization
3. Implementation of trade agreements and maximization of profits derived from trade, especially between small and medium-sized enterprises (SMEs)
4. Deepening of Central American integration
5. Institutional strengthening

Within this framework, SIECA is already promoting different regional initiatives such as the Digital Trade Platform, the SIECA's Studies Centre for the Economic Integration (CEIE) and the CA Trade Network, which are financed mainly with the support of the donors². Additionally, some CA member states are taking steps towards convergence such as the agreement between Honduras and Guatemala to establish their customs union in 2017, to which El Salvador has also shown interest last December 2015. An evaluation of the progress of RCU is expected to be done every two years on base of Presidents' mandate of June 2015.

CATFCS is in line with the **EU "Trade for All" policy** and the **EU Aid for Trade strategy** as it seeks to generate sustainable and inclusive growth by ameliorating regional conditions for trade exchange and productive development. More specifically, it is coherent with the priorities identified by the CA countries during the last EU/CA AA meeting of June 2015 for the implementation of the Agreement.

The framework allows supporting the region in the achievement of the Sustainable Development Goals on the Agenda 2030. Social rights, decent work, environmental and consumer protection, gender equality and corporate social responsibility are issues to be promoted to stimulate a more inclusive and sustained growth.

1.1.2 Stakeholder analysis

The direct beneficiary of the action is the private sector: commercial actors, producers and trade promotion agencies - as the action will principally contribute to facilitate processes and reduce trade transactions costs and time.

The main stakeholders of the action are the economic actors of CA countries, principally structured within the SICA sub-regional economic system, namely:

¹ To date, Nicaragua, Panama and El Salvador have ratified the WTO TFA.

² Main donors: EU, Taiwán, US AID, IADB.

- The **CA Council of Economic Integration Ministers (COMIECO)** as responsible for the economic integration process. Its role is crucial to foster policy development for the regional convergence notwithstanding its limitation in adopting regional legislation. It will be mobilized and regularly informed of the advances of the action by SIECA.
- The **Secretariat of the Central American Economic Integration (SIECA)**, as the leading institution supporting CA's economic integration process at technical level and acting under COMIECO's mandate and as the Secretariat in charge of the Economic Integration Subsystem. SIECA will be the main counterpart for the coordination of the action and will ensure the required dialogue amongst the different stakeholders. In particular, SIECA will secure all needed institutional follow-up with each SICA Pro Tempore Presidency, especially for COMIECO and the CA Council of Finances Ministers (COSEFIN). SIECA will be as well in charge of engaging with SICA member states and with the private sector to coordinate and foster the benefits of the action.
- The **Consultative Committee on Economic Integration (CCIE)** which is constituted by 14 national Federations of the private sector, is the regional representative of the private sector in charge of advising the institutions of the Central America economic integration Sub-System. CCIE is seen as a natural partner for the promotion of the public-private dialogue and the monitoring of policy progress. On 2014 CCIE presented to SICA a list of 69 trade obstacles (i.e. customs procedures, security, transport and technical barriers to trade) to be addressed, which were the basis of 2015 policy agreements (CU Road Map and the CA Strategy for Trade Facilitation and Competitiveness). CCIE already participates to COMIECO meetings but could enhance its participation in other fora. Dialogue with public sector to follow up regional trade facilitation advances and identify bottlenecks will be supported, including CCIE attendance to EU/CA AA committees and CA customs union negotiations rounds.
- The **CA MSME's Promotion Centre (CENPROMYPE)**, as the regional institution responsible of the implementation of the CA Strategy for entrepreneurship, and the **CA Council of Women Ministries (COMMCA)** have particular interest on component 3. They will be associated to monitor the action through participation in COMIECO's meetings.

At national level government authorities are important stakeholders, in particular the ministries responsible for economy and trade, customs, immigration, sanitary and phytosanitary measures, trade promotion and development of small and medium enterprises.

European businesses and private sector organizations are also relevant stakeholders since they have a direct influence on CA export markets as well as on European private sector investment and trade in the region.

The EU/CA AA Commission and Committees will drive policy and technical discussions on issues supported by this action and directly linked to the implementation of the Agreement. Coordination with DG Trade services and EU Delegations in the region will be ensured.

1.1.3 Priority areas for support/problem analysis

The region relies today on commodity exports, remittances and tourism, and imports hydrocarbons, which makes the region highly vulnerable to external factors. Its main challenge is to establish a CA market for goods and services, large enough (more than 40 million people and USD 200 billion combined GDP) to attract investments and compete

internationally, as well as diversification to diminish exposure to external shocks. Besides, the productivity and competitiveness of the private sector needs to be stimulated in order to generate employment and growth in an inclusive and sustainable manner.

All of these require the development, at regional level, of a progressive convergence and harmonisation of the legal framework, a gradual opening of the borders for the free movement of goods, an adequate infrastructure for connectivity and the stimulation of diversification and regional integrated productive chains. The EU/CA AA constitutes a strong incentive in this direction. The CA countries deal as a block with the EU, one of its main trading partners, and have taken clear commitments to achieve higher levels of integration. The RCU steers the path for the CA countries towards the customs union.

Building on ongoing initiatives, the proposed action will facilitate intra and trans-regional trade by supporting: 1) the modernisation and convergence of the regional trade regulatory framework, on bases of EU/CA AA commitments and in view of paving the way to the establishment of the CA Customs Union; 2) the development of the regional technology and administrative capacity for intra and inter-connectivity based on the digital platform for trade design, 3) strengthening regional capacity to trade in goods and services in view of taking advantage of the EU/CA AA.

In parallel, efforts are ongoing for obtaining commitment to the action at the highest level within SICA. The present proposal received support from the Vice-Ministers of COMIECO in October 2015 and is expected to be presented to COMIECO Ministers in June 2016.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
No compliance with the EU/CA AA commitments requiring legislative reforms, also due to opposition of powerful interest groups (ie regional competition law)	M/L	Seek enhanced EU dialogue in the framework of the EU/CA AA and at bilateral level with each country through EU Delegations to address specific blockages (ie Guatemala adoption of a national competition law). Promote inclusive public-private dialogue and campaigns on particular issues (under component 1).
Lack of progress to accomplish the milestones established on the RCU.	M/L	Seek enhanced EU dialogue in the framework of the EU/CA AA and monitor project's progress at the Vice-Ministers COMIECO to overcome technical bottlenecks (organisational set-up). Upgrade SIECA capacities to monitor difficulties and delays and support private sector initiatives for lobbying and oversight (under component 1).

<p>No implementation of the CA Trade Digital Platform due to:</p> <ul style="list-style-type: none"> - non-application at national level - the technical complexity of the operation, which requires harmonised legislative arrangements and common minimum standards. 	<p>L</p> <p>M/L</p>	<ul style="list-style-type: none"> - COMIECO Vice-Ministers' political commitment for the implementation of the platform was adopted on April 2016. Engagement of each CA country to apply the platform at national level has been required and obtained already for Guatemala, El Salvador, Honduras, Costa Rica and Panamá. A mandate at Presidents' level would engage all national authorities and services to the goal. To note that the non-application of one country does not affect the use by the others. - IADB implementation of component 2 guarantees coherence with support provided for the coordinated management of borders. A specific coordination scheme is foreseen between IADB and SIECA to ensure smooth progress on harmonisation matters supported under component 1 which could affect the development of the platform.
<p>Assumptions</p>		
<p>Regional economic integration is still the political aim of CA member states and the ability of SIECA to lead consensus and coordinate the implementation of CATFCS is maintained, notwithstanding the nomination of a new General Secretary in June 2017.</p>		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

A global evaluation of the regional EU cooperation in CA 2007-2013 was finalised early 2015. The recommendations included:

- *Adequate regional political commitment.* The EU should ensure and facilitate full ownership from the region and its member states to the integration efforts. This implies to undertake high level strategic, systematic and sustained result-oriented consultations and exchanges with relevant SICA institutions and inter-governmental bodies.
- *Interconnexion of cooperation efforts.* EU support to CA regional integration goal needs to be tackled in a coherent manner through its partnership at regional level but also at bilateral level (the principle of subsidiarity).
- *Use of EU/CA AA leverage to increase effectiveness for EU aid.* The framework for institutional dialogue provided by the EU/CA AA should be used to address policy bottlenecks and ensure full impact of EU technical support outputs (with due reference of CA's commitments under the EU/CA AA). This requires a regular internal coordination of EU services and of these with EU MS.

Individual evaluations at sector and programme/projects level, namely PRAIAA and PRACAMS, have in addition demonstrated that:

- The regular involvement of the ProTempore Presidency and CA member states at highest level is needed to achieve sustainable reforms related to the objectives the EU seeks to address.
- Only a serious political commitment at highest level and the provision of contributions by the institutions and the CA MS ensure enough ownership of cooperation by related national services. SIECA should guarantee to cover projects' operating cost, namely in terms of staffing, in view of results' sustainability.
- Structural deficiencies within institutions should be addressed to strengthen accountability in order to have strategic impact. This requires the development of proper result-oriented approaches, including monitoring and evaluation systems and the development of performance indicators.
- As per the volatility of the regional process, the actions require an important degree of flexibility to quickly adapt to situations.

3.2 Complementarity, synergy and donor coordination

At regional level, donors coordination takes place in various forms under the framework of the "*Mecanismo de Gestión, Coordinación e Información de la Cooperación Regional*" adopted on 13 December 2013, and within each SICA subsystem. Relevant fora for this action is the economic subsystem led by SIECA, for which ad hoc donors coordination meetings take place with the subsystem institutions at least once a year.

Donors' coordination with SIECA is as well promoted in an ad hoc manner for the effective implementation of CATFCS. Since December 2015 a donors' matrix helps to identify funding gaps, synergies and avoid overlaps. The focus is put on the priority actions identified in the strategy for which complementarity is sought amongst the projects supported in the sector by IADB, World Bank, USAID, BCIE and CEPAL primarily.

At regional level, coordination with EU MS is mainly developed with EU MS cooperating through SICA and in the framework of the actions with EU MS active in the sector. On 26 April 2016, the action was presented and discussed amongst EU HoCs (ES, DE, IT, FR).

The proposed project builds on the results of previous EU regional support in the sector, namely PRAIAA and PRACAMS. Investments already provided through PRAIAA for the development of the first phase of the digital trade platform and regarding customs' management at border level, as well as the assistance provided to CA countries in the accomplishment of AA commitments will be followed up. This include the proposal of the Central American Single Document (DUCA) for the transit and declaration of products agreed by CA and the EU to be implemented at the latest by December 2016, the mechanism to avoid double tax payment to EU products entering CA territory, the regulation of quotas management and other fifteen (15) CA Technical Regulations proposed to COMIECO to harmonize procedures regarding sanitary and phytosanitary measures and quality control.

As regards component 3, the pilot experience for trade promotion (Eko bootcamp) undertaken by PRAIAA and the services provided to MSMEs under ADESEP will also be capitalized. In complement to the systems for quality control developed with PRACAMS, support for the improvement of private sector quality-management and product differentiation in selected value chains will be provided.

The action is in synergy with EU global support for the implementation of the WTO Trade Facilitation Agreement in Central America, implemented by the World Bank, and the support provided through AllInvest to the private sector. Additionally, synergies and complementarity are created with different EU bilateral supported projects, particularly in Guatemala and El Salvador where competitiveness and private sector development are focal sectors, and in Nicaragua, with the planned action to upgrade its border with Costa Rica ("San Pancho-Las Tablillas") and Nicaragua IT national trade platform, which is the less developed in the region.

3.3 Cross-cutting issues

Good governance will be strengthened under component 1 by supporting inclusive dialogues and better institutional monitoring of the implementation of CATFCS by SIECA. Simplified and robust electronic systems of tracking may in addition have an impact on reducing corruption and other illegal activities.

Gender equality and social rights will be specifically promoted in component 3 by promoting corporate social responsibility and by supporting women producers' exports in view of generating equal opportunities for development. As well, the gender dimension will be embedded in component 1 for a better gender mainstreaming in the implementation of CATFCS reforms.

Environmental sustainability will be a basic principle for the implementation of component 3 which seeks at promoting value chains with sustainable productive practices and environmentally friendly products. Support to ensure an adequate regulatory framework is as well foreseen, in line with the commitments under EU/CA AA.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target *Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*, but also promotes progress towards Goals: *Goal 5: Achieve gender equality and empower all women and girls*, and *Goal 12: Ensure sustainable consumption and production patterns*.

General Objective: Strengthen economic integration in Central America and maximizing the benefits of the implementation of the EU/CA AA.

Specific Objectives: Reduce the regional constraints to competitiveness and diversification in CA by supporting trade facilitation and increasing capacity to trade in goods and services

Expected results:

- 1) The regional trade regulatory framework is updated and trade related national legislative frameworks are further harmonized in line with the EU/CA AA commitments, the CA RCU and the WTO TFA, and better known by main stakeholders.
- 2) Regional interoperability between national customs' systems is ensured and facilitates trading with and within the region.
- 3) At least four sustainable regional value chains are developed and promoted, enhancing export competitiveness and performance of SME exporters and producers, in particular women business enterprises, and focusing primarily on European markets

4.2 Main activities

Activities are grouped in 3 main components:

Component 1: Modernization and convergence of regional regulatory framework: implementing EU/CA AA commitments and the roadmap for CA Customs Union

This component will provide technical, financial and logistical support to improve the regional framework for trade facilitation and for doing business (ie development of policies, regulations and other related needs and tools) based on the commitments undertaken by the CA countries and the region under the EU/CA AA and the Roadmap for the CA customs union 2015-2024 and its framework agreement. Any area covered by the EU/CA AA might be object of such measures according to the challenges that CA may have to meet. Priority areas are:

- Customs: implementation of the single customs administrative document for intraregional trade; analysis and development of mechanisms to advance the harmonization of the common external tariff; revision of special customs regimes regulations; identification and promotion of mechanisms to promote convergence of existing trade agreements and the accomplishment of the 12 measures established in the WTO's Trade Facilitation Agreement; development of common procedures and regional standards on risk management (ie for containers scanning) and for authorized economic operators (ie approved systems for importers/exporters); detailed statistics on trade flows; online information on import requirements (transparency requirements) and market access issues³.
- Sanitary and Phytosanitary Standards (SPS): measures for the convergence and predictability of SPS requirement for intraregional and CA-EU trade, amongst which the harmonisation of requirements and of administrative procedures at borders; production of online information on import requirements (transparency requirements), developing capacities to meet sanitary and phytosanitary requirements in order to improve access to the European Union market and transmission of SPS certificates from the foreign trade single windows both for export and import⁴;
- Intellectual Property Rights (IPR): facilitation of requirements' convergence to register brands and GIs at regional level; training for competent authority, judges, prosecutors, customs and police officer (Article 55 c of EU/CA AA); general information on IPR in 'education institutions' (Article 55 b of EU/CA AA), in compliance with RECAUCA and WTO TFA;
- Public procurement: development of a unique regional access point (Article 212(3) of EU/CA AA);
- Competition: development and implementation of the competition law at regional level;
- Technical Barriers to Trade (TBT): development and approval of RTCA (*Reglamentos Técnicos Centro Americanos*) in compliance with the EU/CA AA, including the development of national strategies for their implementation;
- Trade and Sustainable Development (TSD): training for implementing international labour and environmental agreements and promotion of public-private sector dialogue and

³ To note that the revision of the Central American Uniform Customs Codex (CAUCA) and its regulation (RECAUCA) will be supported by the World Bank in coordination with CAPTAC.

⁴ The latter is link to the implementation of the platform's digital broker.

awareness on labour, environment and corporate social responsibility, support for access to EU market segments with specific environmental or social requirements (eg organic, fair trade).

Under this component, special support to the region to ensure Panama's full incorporation to SIECA might be considered as much as possible. Additionally, should the Honduras-Guatemala customs union offer opportunities to pioneer regional trade integration issues, assistance may be provided.

The nature of the activities include inter-alia technical assistance, trainings and capacity building actions of technical staff of the economic Subsystem's Secretariats and specialized institutions related to economic integration, studies, communication campaigns, logistical support to inter-institutional and trade facilitation committees (ie COMIECO, COSEFIN, COMITRAN, CCIE, EU/CA AA). Additionally, in view of ameliorating the governance of the regional process and the accountability of its institutions, it is expected to support the promotion of the public-private dialogue, and the upgrading of SIECA operating regulations and its monitoring system to ensure better monitoring and oversight on the implementation of CATFCS and RCU.

Component 2: Trade Facilitation regional IT infrastructure: the CA digital trade platform

Building upon the IT support already provided by PRAIAA, this component will facilitate the execution of the interoperability infrastructure of the digital platform, in particular:

(i) Process simplification and interoperability among governmental institutions, including improvement and optimization of procedures and processes, development of IT applications regarding security protocols for the entry and exit of merchandise and carrier/truck drivers/exporters and importers in CA and of electronic modules for *interalia* risk management, ex post control of merchandise, early warning systems, duty reimbursement and statistics.

(ii) Development and implementation of the Digital Broker that includes:

- Customs System: to allow the interoperability of national transactions based on risk assessments and criteria.
- Customs Broker: to allow the virtual tracking of declarations, operations and transits.
- Foreign Trade' Single Window Broker: to ensure interoperability of declaration, records and sanitary and phytosanitary records – with or without associated customs declaration.
- Migration broker: to allow interoperability of entry/exit permissions and alerts.

Opportunities to establish connection with the EU database of approved exporters and to achieve compatibility with TRACES EU-based system will be explored.

This also includes training on trading processes and the acquisition of hardware and software infrastructure for SIECA and six competent national authorities, namely customs, migration, internal taxes, health, agriculture and security, in the six countries of CA.

Once the Digital Broker enters into functioning, foreign trade processes will be faster and cheaper.

Component 3: Strengthen CA capacity to trade in goods and services in view of taking advantage of the EU/CA AA

With the objective of enabling CA exporters and producers to take advantage of the EU/CA AA, this component will contribute to strengthen the competitive capacity of CA SME's, focusing primarily but not exclusively on the European market.

To this end, support will be provided to two different initiatives that will focus on the most promising regional value chains that respond, respectively, to the need to meet with EU social and environmental standards and to promote gender equality. Following a value chain analysis the most promising sectors will be selected based on export and growth potential, the strategy of intervention to be developed, the EU demand and the impact on vulnerable groups. The initiatives will consist of:

- *Promoting sustainable trade.* It include activities such as individual export coaching and training for companies to upgrade product processes and management and develop export marketing strategies for doing business in Europe; export orientation mission to the EU; assistance in certification procedures; participation in European trade fairs and other B2B/market entry activities; export enabling environment development covering sector-wide or product quality and other standards (eg sustainability) and sectoral promotion and marketing strategies for the European market including attendance to international fairs; market intelligence services and in particular up-to-date insights on the EU market and contacts for exporters. Coaching and training for CA companies and the administration to implement import strategies for environmental friendly products may as well be considered.
- *Increasing international competitiveness of women business enterprises.* The action will focus on a value chain with high regional participation of women enterprises and embrace activities such as capacity building to develop internationally oriented businesses; development of regional business services and mechanisms for targeted export support; technical assistance to upgrade product design, development, manufacturing, quality enhancement and marketing; market/value chain linkages for internationalisation, with focus on European markets/buyers. Access information on and meet sustainability standards prevalent in EU markets will be explored. The initiative fit with SIECA's regional programme for economic empowerment of women and will seek to create synergies with the financial product key gender.

Both initiatives will create synergies between them and with previous export-related initiatives (ie Eko bootcamp) and will seek for an early involvement of European importers. Corporate Social Responsibility as defined in international instruments will be a guiding principle.

4.3 Intervention logic

This action is envisaged as a CA trade facilitation promoter to respond to specific regional needs within the areas prioritized by CA countries in terms of regional economic integration and trade facilitation and contained in the CATFCS and the RCU.

It is designed to facilitate a structured, long-term capacity development process under the leadership of the regional institutions in charge of coordinating the economic integration process (SIECA/COMIECO with close association of COSEFIN, CENPROMYPE and CCIE). To this end, and with the view of consolidating the advancement of the action within the regional legal framework, capacity building elements to foster institutional monitoring, knowledge and inclusive dialogue have been embedded under component 1.

At the same time, the action also seeks as well to boost engagement and ownership at all levels, and in particular from the private sector, throughout inclusive public-private dialogue and targeted communication campaigns. This will help maximise the impact of ongoing and future EU interventions in this sector.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Component 1

5.3.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	Services	1	I trimester 2017

A technical assistance contract will be directly managed by the EU Delegation in Nicaragua to support the implementation of component 1 which requires specialised expertise on trade related issues and regional economic integration. The TA will support SIECA to manage, monitor and coordinate the action and the different stakeholders.

5.3.1.2 Indirect management with SIECA

A part of this action with the objective of supporting the *modernization and convergence of the regional regulatory framework: implementing the EU/CA AA commitments and the roadmap for CA Customs Union* may be implemented in indirect management with SIECA in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 according to the following modalities:

SIECA will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100,000 (or lower, based on a risk assessment) and may

apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by SIECA for ordinary operating costs, direct labour and contracts below EUR 300,000 for procurement and up to EUR 100,000 for grants.

The financial contribution covers, for an approximately amount of EUR 1,000,000, the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, SIECA shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with SIECA.

5.3.2 Component 2

5.3.2.1 Indirect management with Inter-American Development Bank (IADB)

A part of this action may be implemented in indirect management with IADB in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the development of the digital trade facilitation platform, requiring technical assistance and capacity development, supplies, support to operational expenditure, and management cost. This implementation is justified because of the technical competence, specialization and administrative power of IADB to carry out highly specialised assistance to develop trade regional procedures and the IT system, including acquisition of IT technology. IADB supported the development of the CATFCS in 2015 and commanded a pre-feasibility study on the regional digital trade platform. Currently, IADB is supporting the implementation of the 5 short term priority measures of the strategy, which focus on facilitating the transmission of customs documents at the borders' level. In addition, IADB is currently financing the implementation of medium and long-term measures of the Strategy in a number of Central American countries, which entail substantive reforms in border infrastructure and procedures. IADB will be in measure to ensure a coherent development of such measures with the platform and create greater synergies at borders' level. Lastly, the organisation benefits from the necessary trust of the national competent authorities in the six countries which will facilitate the execution of the tasks.

The entrusted entity would carry out the following budget-implementation tasks: general guidance, supervision and monitoring of activities, procurement, tendering and contracting; validation and processing of payments; reporting, evaluation and, if necessary, auditing. The activities will be executed in compliance with IADB procedures and policies by an Execution Unit put in place by SIECA following the signature of a cooperation agreement between IADB and SIECA.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.3.3 Component 3

5.3.3.1 Indirect management with the Ministry of Foreign Affairs of the Netherlands (Netherlands Enterprise Agency - Promotion of Imports from developing countries, CBI)

A part of this action may be implemented in indirect management with CBI in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the promotion of sustainable export development by means of studies, technical assistance, capacity development and training, communication, support to operational expenditure, and management cost. This implementation is justified because CBI has the required technical competences and valuable experiences in the region. CBI is supporting export development in developing countries all over the world by sustainably strengthening the competitive capacity of SME. CBI's core competence is three fold: advice, counselling and knowledge management. It is in addition an ideal partner to generate knowledge and contacts on the European market. Since decades, CBI has been working on the contribution to sustainable economic development in Central America through the expansion of exports from these countries, specifically since 2011 with the Central America Agro Food Programme, to build the capacity and networking of the national export promotion agencies and to promote the export of CA products in the EU market. In 2016, CBI current programme is ending and a new funding phase is being planned for Nicaragua and Guatemala. It is now proposed to joint efforts and implement the support to all Central America countries using a regional approach to better benefit of EU/CA AA framework.

The entrusted entity would carry out the following budget-implementation tasks: general supervision, coordination and monitoring of activities, procurement, tendering and contracting, validation and processing of payments, reporting, evaluation and, if necessary, auditing. During the implementation of the activities, CBI will work in close collaboration with local partners' business support organisations in order to ensure that knowledge will stay within the institutions in Central America.

5.3.3.2 Indirect management with the United Nations Secretariat - International Trade Centre (ITC)

A part of this action may be implemented in indirect management with ITC in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails increasing international competitiveness of women business enterprises, including tasks of technical assistance, capacity development and training, communication, support to operational expenditure, and management cost. This implementation is justified because ITC has specialised knowledge on women and trade and his experience on sustainability standards. ITC is has a long-track experience in enhancing export capacities of SMEs and women businesses in view of promoting their economic independence and empowerment. ITC is actively present in Latin America and collaborates closely with SIECA to support regional economic integration. To this effect, SIECA and ITC maintain a Memorandum of Understanding for cooperation, including the joint promotion of programs and projects geared at increasing the participation of women in international trade, and from a broader perspective, implementing Axis 1 of the regional gender strategy focusing on women economic autonomy.

The entrusted entity would carry out the following budget-implementation tasks: general supervision and monitoring of activities, procurement, tendering and contracting, validation and processing of payments, reporting, evaluation and, if necessary, auditing.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU Contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
5.3.1 Component 1	7,000,000	
5.3.1.1 - Procurement - Technical Assistance	2,000,000	
5.3.1.2 - Programme Estimate	5,000,000	1,000,000
5.3.2 Component 2	8,000,000	
5.3.2.1 – Indirect management with IADB	8,000,000	
5.3.3 Component 3	4,500,000	
5.3.3.1 – Indirect management with the Ministry of Foreign Affairs of the Netherlands	3,000,000	1,000,000
5.3.3.2 – Indirect management with the UN Secretariat	1,500,000	
Audit and Evaluation	250,000	
Contingencies	250,000	
TOTALS	20,000,000	2,000,000

5.6 Organisational set-up and responsibilities

General Coordination

SIECA, as leading regional institution of the sub-system of economic integration, will be responsible of the general coordination of the action. SIECA will ensure the required dialogue and coordination amongst the different stakeholders to guarantee the effective implementation of the program and follow-up of its results. In particular:

- SIECA will secure all needed institutional follow-up with each SICA Pro Tempore Presidency, especially for COMIECO and the CA Council of Finances Ministers (COSEFIN) for component 1 and 2.
- SIECA will coordinate amongst the different sub-system institutions when required, and in particular with CENPROMYPE and COMMCA for component 3.
- SIECA will regularly engage with SICA countries and relevant services and with the private sector to coordinate the implementation of activities and foster the benefits of the action.

Ad hoc meetings, with different stakeholders' configuration will be organized as required.

Additionally, considering the correlation between the activities foreseen in components 1 and 2, a communication and coordination scheme between SIECA and IADB will be developed to ensure information sharing and smooth progress in both processes.

Steering and supervision

Considering the regional mandates, the Vice Ministers of COMIECO will act as Steering Committee of the programme. It will be in charge of monitoring the implementation of the action and provide policy guidance to ensure the accomplishment of objectives and expected results. It will meet at least once a year and receive annual reporting from SIECA and from each implementing partner.

The meetings will be arranged by SIECA in coordination with the PPT. The EU will participate as observer. The CCIE will be invited to participate and other interested parts (COSEFIN, CENPROMYPE, COMMCA, etc) might be called when considered pertinent.

A permanent supervision will be performed by the EU Delegation in Nicaragua through regular contacts with each implementing partner. Additionally, regular coordination with DG Trade services and other EU Delegations in the region will be ensured, especially through the regional task managers existing network in charge of articulating regional and bilateral actions, and the participation of the EU Delegation in Nicaragua to the EU/CA AA Commission and Sub-Committees and the Civil Society Forum. Before each Steering Committee, the Heads of the EU Delegations in the region will be consulted on bases of SIECA's annual report to feed the discussions with COMIECO.

Particular arrangements

Additionally, for each component it is to consider the following:

Component 1: SIECA will be in charge of the daily management of the activities. To this end, a project management structure will be established, integrated by SIECA nominated staff and the technical assistance. The facilities of Centre for Studies for Economic Integration (CEIE) will be used for the execution of activities. Regular dialogue with private sector and other relevant stakeholders to monitor the execution of the activities will be established.

Component 2: An Executive Unit, put in place by SIECA in conformity with IABD procedures, will be responsible of the daily management of the activities. The Unit will benefit from SIECA's IT technical staff and will be led by a Coordinator, which will be selected in close association of the EU.

An advisory technical institutional committee led by the person designated by the Ministers of COMIECO in coordination with IABD and SIECA shall be set up to oversee and validate the overall progress of the development of the platform, particularly regarding the inter-connection with existent national systems, and in line with COMIECO's policy guidance. The committee should meet regularly, at least once each three months. The EU and the CCIE will be invited to participate when relevant.

Component 3: A technical steering committee between the Ministry of Foreign Affairs of the Netherlands (CBI) and the United Nations Secretariat (ITC) will coordinate activities on the ground in view of creating synergies⁵. The committee will associate private sector representatives and meet at least once a year. The EU and other stakeholders such as SIECA and CENPROMYPE will be invited to participate when relevant.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities. To this aim, each implementing partner 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 (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. 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.

SIECA, as main coordinator of the action, will be responsible of the general monitoring and reporting of the whole action.

The Commission may undertake additional project 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).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission and/or via an implementing partner.

Mid-term evaluation will be carried out for learning purposes, in particular with respect to maximise the sustainability and impact of the programme.

Final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account the complexity of implementing regional actions and strategies.

⁵ It is to note that CBI and ITC have already good experiences in working together: in Vietnam, Myanmar and Bangladesh.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two (2) contracts for evaluation services shall be concluded in 2018 and 2020.

5.9 Audit

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 for one or several contracts or agreements.

Indicatively, one (1) contract for audit service shall be concluded in the first semester following the signature of the Financing Agreement.

5.10 Communication and visibility

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

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 and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The main added value of the visibility TA area is that visibility is going to be more strategic explaining the rationale, core values and results of EU cooperation as a whole.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, visibility of the activities will be ensured by each implementing partner. Additionally, the communication and visibility of the action as a whole will be part of the Communication and Visibility Strategy on EU development cooperation that will be supported through the Special Measures (cf ATEPECA).

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁶

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
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⁶ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Overall objective: Impact	Strengthen the economic integration in Central America and maximizing the benefits of the implementation of the EU/CA AA	1) Volume of Exports in the region (per year)	1) 50,708 M USD (2015)	1) By 2022, exports have increased at least 10%	1) Annual data of Consejo Monetario Centroamericano
		2) Export of goods and services as a percentage of GDP (**EU RF L1)	2) 2014: CR (35.1); SLV (25.8); HON (46.9); GUAT (23.1); NI (42.3); PAN (N.A.)	2) By 2022, an average of at least 5% increase	2) World Bank national accounts data, and OECD National Accounts data files.
		3) % of trade with the EU	3) 20.5% (2015)	3) 25% increase by 2022	3) SIECA monitor database
		4) Cumulative (additional) export (EUR) to EU/EFTA and cumulative (additional) export (EUR) to non-EU/EFTA markets	4) To be determined through export audits of individual programme participants carried out after the Value Chain Analysis (total average annual value of export in EUR (€) as reported in the application form)	4) At least €30.000.000 for 60 companies in 6 countries by 20227	4) Certified export data (CBI monitoring system)

⁷ Target depends on 1) how many companies will complete the programme as competent exporter 2) the characteristics of the chosen sectors 3) the size of the SMEs (ranging from small to medium enterprises), and 4) external factors such as market developments, natural disasters and climate change.

Specific objective: Outcome	Reduce the regional constraints to competitiveness and diversification in CA by supporting trade facilitation and increasing capacity to trade in goods and services	1.1) Costs of trade-related transactions (import and export) at intra and extra regional level (**EU RF L1 & 129)	1.1) 1.21 US dollar per ton-kilometre (2013)	1.1) At least 30% less by 2022	1.1) International competitiveness and doing business reports.	Political stability and citizens security in Central America do not downfall and investments are maintained Central American countries continue to support the regional integration process and the implementation of CATFCS and RCU. Companies actively participate in the collection of certified export data.
		1.2) Efficiency customs formalities.	1.2) 2.4 (2012 - scale 1:5)	1.2) 2.8 by the end of the project,	1.2) World Bank worldwide report/RCU's bi annual reports.	
		1.3) Electronic interchange of certificates between countries	1.3) Only between Guatemala-Salvador (where country of export make the control and send information to the country of import)	1.3) Migration control data or phyto and zoo sanitary certificates are transmitted electronically between the countries (end of the project)	1.3) SIECA and IADB's reports	
		1.4) Cumulative total of growth/decrease in directly supported SMEs, broken down in male and female employees	1.4) Total number of employees (m/f) as filled out in SME's application form	1.4) TBD through export audits of individual programme participants, carried out after the Value Chain Analysis	1.4) Certified export data (CBI monitoring system)	
		1.5) Number of directly supported SMEs that realise export growth to EU/EFTA markets and volume of yearly exports (with disaggregated data on women-owned/led SMEs)	1.5) None	1.5) 60% of 60 companies ⁸ by end 2021 – with at least 35% of them being women-owned/led	1.5) Export Audit	
⁸ Idem	(see footnote 2)	1.6) Level of social responsibility risk in the sector	1.6) TBD - SR risk assessment tool at the value chain level (SR index)	1.6) Tbd through export audits of individual programme participants, carried out after the Value Chain Analysis (2017)	1.6) SR risk assessment tool (SR index)	

Outputs	<p>1) The regional trade regulatory framework is updated and the trade national legislative frameworks is harmonized in line with the EU/CA AA commitments, the CA RCU and the WTO TFA, and better known by main stakeholders.</p>	<p>1.1) Number of new trade common procedures and mechanism developed and approved. (* MIPS SO2 R1) (** EU RF L2 32)</p>	<p>1.1) Currently DUCA, taxes mechanism and 15 RTCA developed</p>	<p>1.1) By 2018, current developed procedures are approved and by the end of the project at least 5 new common procedures and mechanism are in place</p>	<p>1.1) SIECA reports and RCU's bi annual reports and EU/CA AA monitoring reports</p>	<p>Ministries of Economic Integration participate actively in the negotiations of CAUCA and RECAUCA and common procedures</p>
		<p>1.2) Number of technical regulations and instruments related to SPS and quality implemented (* MIPS SO2 R1)</p>	<p>1.2) 15 proposals of RTCA to be approved for implementation (2016)</p>	<p>1.2) At least 10 RTCA are approved and the implementation started (2022)</p>	<p>1.2) SIECA's monitoring and AT reports</p>	<p>The digital interphases are implemented in all 6 CA countries.</p>
		<p>1.3) Number of consultations on regional economic issues between regional institutions and private sector representatives (*MIPS SO1 R1)</p>	<p>1.3) None</p>	<p>1.3) At least 4 meetings per year</p>	<p>1.3) Meeting minutes from SIECA and CCIE</p>	
	<p>2) Regional interoperability between national customs' systems is ensured and facilitates trading with and within the region.</p>	<p>2.1) Existence of a CA Trade Digital Platform (**EU RF L232)</p>	<p>2.1) In line with the feasibility study of March 2016, out of 4 phases, only 1 is being developed</p>	<p>2.1) By 2019 the process simplification for the CA Trade Digital Platform is finalised. By 2022 customs, foreign trade single window and migration brokers are in place</p>	<p>2.1) SIECA and IADB's reports.</p>	
	<p>3) At least four sustainable regional value chains are developed and promoted, enhancing export competitiveness and performance of SME exporters and producers. in particular</p>	<p>3.1) Number of competent producers/exporters directly and succesfully supported (* MIPS SO1 R3)</p>	<p>3.1) None</p>	<p>3.1) At least 60 SMEs have been individually supported and by the end of the project at least 80% has successfully</p>	<p>3.1) CBI Monitoring system, ITC reports and statistics and Company surveys</p>	

