EN

ANNEX 16

Of the Commission Implementing Decision on the 2019 Annual Action programme for the Partnership Instrument

**Action Document for Implementation of trade part of the EU – Central America Association Agreement**

1  **KEY IDENTIFICATION DATA**

<table>
<thead>
<tr>
<th><strong>Title of the Action</strong></th>
<th>Implementation of trade part of the EU – Central America Association Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country/region/global</strong></td>
<td>Central America: Panama, Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala</td>
</tr>
<tr>
<td><strong>Sector of intervention</strong></td>
<td>Trade and investment</td>
</tr>
</tbody>
</table>
| **Indicative budget** | Total: EUR 3 000 000  
EC contribution: EUR 3 000 000 (100 %)  
Other contributions: NA |
| **Duration and target start date of implementation** | 36 months – June 2020 |
| **Method of implementation** | Direct management – Procurement |
| **DAC code(s)** | 99810 |

<table>
<thead>
<tr>
<th><strong>Markers</strong></th>
<th><strong>General policy objective</strong></th>
<th><strong>Not targeted</strong></th>
<th><strong>Significant objective</strong></th>
<th><strong>Main objective</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
<tr>
<td>Aid to environment</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
<tr>
<td>Gender equality</td>
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<td>☐️</td>
<td>☐️</td>
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<tr>
<td>Trade Development</td>
<td>☐️</td>
<td>☐️</td>
<td>☑️</td>
<td></td>
</tr>
<tr>
<td><strong>RIO Convention markers</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biological diversity</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
<tr>
<td>Combat desertification</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
<tr>
<td>Climate change adaptation</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
<td></td>
</tr>
</tbody>
</table>
2 RATIONALE AND CONTEXT

2.1 Action summary

This action will contribute to the implementation of the trade part of the EU Association Agreement with Central America (the 'Agreement'), thereby helping to identify business opportunities for EU operators and fostering a more favourable economic environment for trade and investment relations with the six countries in the region.

The action will provide EU authorities with a clearer and more complete picture of the regulatory and administrative environment governing trade and investment in the Central America countries. Most importantly, the action will serve to promote the Agreement in the region and to provide support for EU businesses, in particular SMEs, looking to export or invest in the Central America countries. To this end, the action will provide business intelligence, facilitate the understanding of the legal framework in the countries as well as create a platform for business liaison, activities and exchanges.

2.2 Background/Context/Rationale for PI funding

On 29 June 2012, the EU and Central America signed a far-reaching Association Agreement with three main pillars on cooperation, political dialogue and trade. The trade pillar of the Association Agreement has been provisionally applied since 1 August 2013 with Honduras, Nicaragua and Panama, since 1 October 2013 with Costa Rica and El Salvador, and since 1 December 2013 with Guatemala.

The aim of the trade pillar is, in particular, to facilitate and boost international trade and investment between the Parties, as well as to promote economic regional integration in Central America while contributing to the objective of sustainable development. The trade pillar covers not only tariff liberalisation measures but also provisions on non-tariff barriers, public procurement, competition, intellectual property, sustainable development and regional integration. Beyond this, the trade pillar provides the basis for more far-reaching interaction in increasingly important areas such as trade in services, the digital economy and enhanced sustainability in the energy and transport sectors.

The bilateral trade in goods under this Agreement amounted to around €11 billion in 2017. However, a relatively low increase in EU exports of goods to Central America during past years (2.5% between 2012 and 2017) justifies taking an action to improve the implementation of the Agreement and find ways for EU business to better seize the opportunities that it provides.

The services sector is an increasingly important component of the trade flows between the two regions, in particular with Panama and Costa Rica. The transport, financial and tourism sectors are particularly strong in this area and require increased targeting by EU companies to reap the opportunities these sectors offer in Central America.

As regards other sectors such as public procurement, customs and trade facilitation, geographical indications and sustainable development, there is also a margin for improving the implementation of the Agreement and raising awareness for operators on available opportunities.

2.3 Lesson learnt

In the past, the EU provided a platform for technical support and information to EU operators and Member States with presence in the region and reacted to a large number of specific queries. This has shown that further support and future efforts in this regard are needed.
The Progress Report on the Implementation of European Economic Diplomacy Guidelines from November 2018 stresses the promotion of the Association Agreement as one of the key priorities for the Central America region. The second priority for Central America identified is an improvement of current market access conditions. This action would therefore reply to the needs previously identified by the European External Action Service and Commission Services for the region as a whole, but also for each individual country.

2.4 Coherence and complementarity

There is some complementarity with other EU projects funded mainly though the Partnership Instrument in some of the areas identified in this action, such as Trade and Sustainable Development or Intellectual Property (IP). In the implementation of this action, activities will build on results and outputs produced by ongoing complementary projects or already closed at the time of signature of the contract (ref. ElanBiz, IP key Latin America, SME IPR Helpdesk, Corporate Social Responsibility project). Moreover, coordination with be ensured both at individual country level, and at regional level, including with the Secretaria de Integracion Economica Centroamericana.

Development Cooperation Instrument (DCI) funded programmes targeting the improved implementation of the Association Agreement are implemented on behalf of, and aimed at, assisting the six partner countries in Central America and therefore do not cater directly to EU interests as identified in this action. Nevertheless, given that many of the general areas identified are also of interest to Central America countries, it will be crucial to coordinate activities carried out under those programmes with the ones executed under this action.

In particular, four of the countries in the Central America region (Nicaragua, Honduras, El Salvador and Guatemala) are recipients of significant funding from DCI at national level. Costa Rica and Panama receive funding from DCI regional and Latin America-wide programmes.

Coherence and synergies with existing support to EU business organisations in the region will be ensured during the implementation of the action.

2.5 EU added value

The Association Agreement establishes an overarching framework for EU – Central America trade and investment that paves the way for new business opportunities. A successful implementation of trade agreements is an important priority of the European Commission and is at heart of its competencies. This action aims at supporting the implementation of the trade pillar of the Agreement, and in that regard, it will have a positive impact on trade and investment relations between the Parties. In as far as the provisions of the agreement cover labour and environmental policies; this action is also aimed at improving sustainability of the trade and investment relations between the Parties.

2.6 Cross-cutting issues

The action will incorporate mainstream relevant crosscutting issues, such as gender equality, sustainable economic development, and environmental sustainability throughout its implementation actions. Gender equality will be mainstreamed throughout the implementation of the action by ensuring that women owned businesses (both from EU and Central America) are given adequate access to information and opportunities; and that women business stakeholders are well represented in all activities. Furthermore, EU companies selected to participate and benefit from different activities will be assessed as regards their
environmental, gender equality, human and worker rights policies with a view to sharing responsible business practice alongside technical solutions.
3 ACTION DESCRIPTION

3.1 Objectives

The overall objective of this action is to promote EU interests in Central America by fostering a more secure economic environment that sustains economic growth built on values, while ensuring that trade between the Parties is conducted in a rules-based, fair and predictable manner.

The specific objectives of the action will be to:

1. Provide support for EU access to the Central America market
2. Ensure monitoring and assessment of compliance with the Association Agreement

The first specific objective is to provide support for EU access to Central America markets and to create a more favorable trade and investment environment in the following key areas: (i) goods; (ii) services & investment; (iii) intellectual property rights; (iv) trade and sustainable development; (v) public procurement.

This specific objective will be achieved through the following activities:

- **Exploratory studies/analyses** aiming to identify those sectors that offer the highest competitive potential for EU exports and investment in each country market. Studies would draw roadmaps for the opportunities open for goods and services in areas where sustainability is key (environment, energy or transport) and where a strong business potential exists for collaboration between European clusters and SMEs and companies or public agencies (such as utilities) in selected partner countries. The sectors may then include in particular green technology sectors as well as digital economy. These studies would also identify specific needs of companies that seek investment in the region in terms of knowledge of the regulatory environment and business liaison and provide a basis for the organization of more targeted business events.

- **Business sectoral events and fairs** that will provide a platform for the exchange of knowledge, intelligence and potentially also liaison opportunities for EU businesses (including SMEs). Complementarity with the Enterprise Europe Network (EEN) through Business Cooperation Centres (BCC), where these are present, will be sought in this regard.

- **Building on the ELANbiz platform** to cover Costa Rica, Panama, Guatemala (accounting for most of EU exports in the region) that will provide an up-to-date expert knowledge on the policy and legal framework in sectors of EU interests. Modalities to cover other countries (El Salvador, Honduras or Nicaragua) will be explored. The activities carried out under the project ‘AL-Invest 5.0’ will be examined for potential complementarity under this action.

- In the context of trade and sustainable development a sub-platform ("elanbizgreen") will be created which would focus on Costa Rica and Panama. The website would replicate the service of the general ELANbiz through a special focus on any green initiatives and technologies, government legislation and initiatives, as well as business opportunities.

- **Outreach activities** that promote the Agreement, and increase awareness of the benefits to EU stakeholders and businesses, including SMEs. Providing comprehensive and timely information on all aspects and areas covered by the trade pillar of the Agreement and how to benefit from it. Outreach activities will also include working with EU exporters,
and relevant authorities in Central America to increase awareness on import conditions, facilitate customs procedures and improve the use of the tariff preferences under the Agreement.

- Producing outreach material that would contain information on the content and opportunities that the trade part of the Association Agreement represents, as well as practical information on how to conduct business activities in Central America in sectors of interest.

The second specific objective will be to monitor and assess the compliance of the Central America countries with the Association Agreement in the field of customs, market access and non-tariff barriers to trade, public procurement, intellectual property and trade and sustainable development.

This specific objective will be achieved through the following activities:

- A rolling list of legislative measures and administrative procedures in the respective fields covered by, and relevant to, the implementation of the Agreement in the region, in particular focusing on customs, public procurement and non-tariff barriers affecting goods and services. Where possible an estimate of the potential harmful impact these may entail will also be made.

- In the field of public procurement: a customized manual/guidebook for EU companies describing tendering procedures in the six Central America countries for the proper implementation of the Association Agreement’s provisions and a short legal assessment of their compliance with the Association Agreement for EU authorities.

- In the context of Geographical Indications, studies of the legal weaknesses in Central America’s IP protection will be conducted. The studies will analyse what is affecting imports from the EU and most effective mechanisms to counter these, including providing legal support in infringement cases before national authorities.

- In-depth sectoral analyses with a view to identifying barriers, e.g. technical barrier to trade (TBT) and sanitary and phytosanitary (SPS) measures, that EU business face in these markets with special emphasis on the Northern Triangle (Guatemala, El Salvador, Honduras).

Overall, the above activities would produce the following general results:

Contribution to lower regulatory barriers and improve market access in sectors of interest to European businesses, delivering benefits for EU firms and the economy as a whole.

Improved understanding of and presence of EU-based SMEs and other EU businesses in service sectors that are linked to sustainability (energy, transport, environment, etc.) and digital economy.

Improved understanding, transparency and effectiveness in the implementation of the EU-Central America Association Agreement provisions.
3.2 Stakeholders

The following stakeholders will be involved in the implementation of the action. The European Commission and the EU Delegations in the six countries in the region - in particular the Regional Trade Section based in Costa Rica; EU Member States Embassies in the six countries in the region; EU businesses, with particular focus on SMEs, business clusters, business associations and networks active in the areas prioritised for the action intervention especially those with strong commercial interests in Central America (exporters, importers or investors); National trade offices, Chambers of Commerce and Industry and trade promotion agencies present in the six countries; civil society organisations representing interests of consumers, environmental and social aspects potentially impacted by this action.

3.3 Risk assessment and management

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Risk level (High, Medium, Low)</th>
<th>Mitigating measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heightened political tension with marked decrease security conditions in Nicaragua</td>
<td>H</td>
<td>The EU Delegation to Nicaragua will closely monitor situation and advice if certain elements should not be implemented in Nicaragua</td>
</tr>
<tr>
<td>Economic / fiscal crisis and potential social instability in Costa Rica</td>
<td>M</td>
<td>The EU Delegation to Costa Rica will closely monitor situation and provide early alert</td>
</tr>
<tr>
<td>Political and security deterioration throughout the Northern Triangle</td>
<td>H</td>
<td>The EU Delegations will closely monitor the situation. In worst case scenario, priorities will be reviewed to ensure functioning of the action.</td>
</tr>
<tr>
<td>Worsening international economic conditions having significant knock-on effect on Central America</td>
<td>M/H</td>
<td>Refocus objectives of action within possibility of a service contract</td>
</tr>
<tr>
<td>Lower economic growth and political instability in Panama</td>
<td>L</td>
<td>The EU Delegation to Panama will closely monitor the situation and reassess objectives of action for Panama</td>
</tr>
<tr>
<td>Quality and impartiality of experts</td>
<td>L</td>
<td>EU Delegation will ensure effective tender procedure and selection of high-quality experts, and regularly engage with the experts to facilitate high-quality deliverables.</td>
</tr>
</tbody>
</table>
3.4 Communication and EU visibility

Communication and visibility of the EU is a legal obligation for all external Actions funded by the EU. 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. Appropriate contractual obligations shall be included in, respectively, the procurement and grant contracts, and delegation agreements.

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

4 IMPLEMENTATION ARRANGEMENTS

4.1 Method of implementation

*Procurement (direct management)*

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

(b) Indicative timing: a call for tender will be launched in third quarter 2019 under a suspensive clause prior to the adoption of this decision. This is justified for the following reasons: the project is meant to be responsive to the discussion of the Association Committees, as well as the Civil Society Forum, that was held on 26 June 2019, and should be launched in concomitance to next year Civil Society Forum, foreseen for June 2020.

4.2 Indicative budget

<table>
<thead>
<tr>
<th>Method of Implementation</th>
<th>Amount in EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Procurement (direct management)</em></td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.0</strong></td>
</tr>
</tbody>
</table>

4.3 Organisational set-up and responsibilities

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

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

4.4 Performance monitoring

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

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

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

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

4.5 Evaluation and audit

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

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

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