**Action Document for Due Diligence Helpdesk for EU SMEs dealing with Iran**

### 1 Key Identification Data

<table>
<thead>
<tr>
<th><strong>Title of the Action</strong></th>
<th>Due Diligence Helpdesk for EU SMEs dealing with Iran</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country/region/global</strong></td>
<td>Iran</td>
</tr>
<tr>
<td><strong>Sector of intervention</strong></td>
<td>Sanctions policy</td>
</tr>
</tbody>
</table>
| **Indicative budget** | Total: EUR 2 000 000  
EC contribution: EUR 2 000 000 (100 %)  
Other contributions: NA |
| **Duration and target start date of implementation** | 24 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>
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<tr>
<td>Aid to environment</td>
<td>✔</td>
<td>☐</td>
<td>☐</td>
<td></td>
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<tr>
<td>Gender equality</td>
<td>✔</td>
<td>☐</td>
<td>☐</td>
<td></td>
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<tr>
<td>Trade Development</td>
<td>☐</td>
<td>☐</td>
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</tbody>
</table>

**RIO Convention markers**

<table>
<thead>
<tr>
<th><strong>RIO Convention markers</strong></th>
<th><strong>Biological diversity</strong></th>
<th><strong>Combat desertification</strong></th>
<th><strong>Climate change mitigation</strong></th>
<th><strong>Climate change adaptation</strong></th>
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</tbody>
</table>
2 RATIONALE AND CONTEXT

2.1 Action summary

Despite the lifting of sanctions under the Joint Comprehensive Plan of Action with Iran, a number of EU restrictive measures remain in place, relating in particular to human rights concerns, proliferation of restricted goods and technology and support for terrorism. EU firms interested in engaging with Iran for legitimate business must consider whether their activities would fall under the restrictive measures applicable and ensure appropriate due diligence procedures are carried out before engaging in any business activity.

The proposed action will set up an EU Due Diligence Helpdesk targeting especially EU Small and Medium-sized Enterprises (SMEs). This Helpdesk would carry out due diligence checks such as checking of local registers, translations from Farsi, information requests to public authorities, simple background checks, etc. Due diligence checks would be performed for specific business projects pursued by EU businesses in Iran or for trade opportunities with business partners based in Iran. Besides creating business opportunities for EU firms, the action would help boost the EU’s image as an influential global player and reliable partner.

2.2 Background/Context/Rationale for PI funding

The Joint Comprehensive Plan of Action (JCPOA) on Iran’s nuclear programme was concluded on 14 July 2015 after many years of diplomatic efforts led by the EU High Representative between China, France, Germany, Russia, the United Kingdom and the United States, on the one hand, and Iran, on the other hand. Iran agreed to strict limitations to its nuclear programme in exchange for the lifting of nuclear-related sanctions. These were lifted on 16 January 2016 after the International Atomic Energy Agency (IAEA) had verified that Iran had fulfilled its commitments. On that day, the EU legislative framework providing for the lifting of economic and financial nuclear-related sanctions entered into effect. Since then, the IAEA has issued 15 verification and monitoring reports confirming that Iran is complying with the JCPOA.

Following the decision of the United States (US) to withdraw from the JCPOA and re-instate previously lifted sanctions, the EU and its Member States have emphasised their continued commitment to the full and effective implementation of the JCPOA, including efforts to ensure the positive effects of sanctions-lifting on trade and economic relations between Iran and the EU.

At the same time, a number of EU restrictive measures remain in place, relating in particular to human rights, proliferation of restricted goods and technology and support for terrorism. Business with Iran is legal and legitimate, as long as businesses avoid dealing with sectoral restrictions or entities designated under any of these EU restrictive measures that are still in place.

European businesses interested in doing business with Iran must therefore consider whether their activities would fall under the restrictive measures applicable and ensure that appropriate due diligence are carried out before engaging in any business activity. However, SMEs are not always able to allocate resources to carry out due diligence checks. To avoid uncertainty about the legality of potential business with Iran, they may therefore be inclined to abstain from pursuing legitimate business opportunities.
2.3 Lessons learnt

The proposed action builds upon a previous action financed under the Partnership Instrument “Due diligence for EU operators related to Iran”, incorporating in its framework notably a “due diligence concept” elaborated under this previous action.

Furthermore, the action is complementary to other initiatives to promote SME engagement with Iran currently under consideration by the European Commission. This includes, e.g., a Q&A note based on the final report in the previous action on “Due diligence for EU operators related to Iran”, or an online tool for SMEs to give a first orientation on restrictive measures exposure and due diligence needs for SMEs.

The proposed action would also usefully complement the payment mechanism with Iran, the Instrument in Support of Trade Exchanges (INSTEX), which the E3 (France, Germany and the United Kingdom) are currently setting up.

2.4 Coherence and complementarity

The proposed action supports the sanctions-lifting which is conducive to promoting and facilitating the development of normal economic and trade contacts and cooperation with Iran, in particular in relation to economic benefits deriving from the JCPOA.

2.5 EU added value

The European Commission supports efforts to encourage trade with Iran in the wake of the conclusion of the JCPOA and encourages European businesses to seize the commercial opportunities arising from the lifting of sanctions. While sanctions implementation is a responsibility of EU Member States, the European Commission is well-placed to provide assistance to European businesses having to deal with due diligence on an equal footing.

2.6 Cross-cutting issues

The proposed action is part of the EU’s multi-track response to the US withdrawal from the JCPOA. As such, it aims to support the full and effective implementation of the JCPOA and to ensure that the economic benefits deriving from the agreement are still in place.

3 ACTION DESCRIPTION

3.1 Objectives

The overall objective of the action is to support EU SMEs willing to engage in trade with Iran, which is legitimate under EU law in the framework of the EU’s continued commitment to the JCPOA.

The specific objectives of the action will be to:

- Provide concrete support to EU SMEs by carrying out due diligence checks on EU restrictive measures compliance for specific business projects.
- Help reduce transaction costs for EU SMEs dealing with Iran.
- Encourage EU businesses to engage in Iran by applying a due diligence concept based, inter alia, on principles elaborated within the framework of the Commission’s preceding action financed under the Partnership Instrument “Due diligence for EU operators related to Iran”.

3
• Reassure European banks, which may be currently reluctant to handle transactions involving Iran by providing EU SMEs with well-researched documentation on their Iranian business partners.

• Demonstrate the EU’s continued commitment to the JCPOA by committing significant funds to improving EU-Iran trade.

The planned activities will include setting up an EU Helpdesk for SMEs dealing with Iran. The Helpdesk would act as central contact point for EU SMEs having questions concerning due diligence for specific business projects in Iran.

The Helpdesk would in particular provide the following services:

1. First-level due diligence orientation and checks
   • general guidance information;
   • information on due diligence checks and the necessary information in Farsi;
   • treatment of individual requests for support.

2. Second- and third-level due diligence checks
   • checks at the Iranian public registers (State Organisation for the Registration of Deeds, Tehran Stock Exchange, etc.);
   • identification of Shareholders, Members of the Board, Ultimate beneficial owners, etc.;
   • checking of sanctions lists;
   • checking of media databases in English and Farsi;
   • site visits;
   • checks of the business activities of the Iranian business partners;
   • reputational checks at with local sources and/or the international business community;
   • interviews with the management of the Iranian business partners;
   • providing simple translations from Farsi to English of documents collected.

3. Ancillary services
   • provide information on due diligence checks and the services of the Helpdesk on a webpage;
   • connect the interested SMEs with relevant stakeholders in Europe or Iran, e.g. chambers of commerce or other consultants who could provide further orientation or work on due diligence;
   • provide information on reliable sources and contacts in Iran (translators, service providers, chamber of commerce, consultants, embassy, relevant public institutions);
   • link to relevant information on EU restrictive measures concerning Iran;
   • provide information on and establish a contact working relationship with INSTEX
for to advise suitable SMEs;

- conduct an information campaign to reach out to as many stakeholders concerned by the proposed action as possible (e.g. information events, reach-out to stakeholder organisations, advertisements in paper or online publications, etc.);

- feedback loop from the provider of the Helpdesk services to the European Commission, including quantitative and qualitative experiences, lessons learnt, feedback from users of the Helpdesk, cooperation with Iranian entities, etc.

3.2 Stakeholders

Target groups of this action include EU companies (primarily SMEs) which do business with Iran. In light of re-imposed US sanctions against Iran, EU SMEs constitute a suitable group of stakeholders for the proposed action. According to the most recent available statistical data, SMEs made up 81% of all EU businesses exporting to and 80% of all EU businesses importing from Iran in 2016 (an increase of 4 percentage points and 5 percentage points compared to 2015, respectively). In particular, SMEs without any business/economic exposure to the United States may consider engaging more actively with Iran if potential concerns about the applicability of EU restrictive measures were alleviated.

However, while being aimed at SMEs, the action would allow for flexibility in target groups: Since a high degree of “self-selection” by EU entities interested in dealing with Iran is expected, there does not appear to be a need to limit the action exclusively to SMEs. Other stakeholders that could potentially benefit from the action may include non-profit organisations and, occasionally, businesses exceeding the size of regular SMEs.

Indirectly the proposed action also aims to reassure European banks, which are currently cautious in handling transactions with ties to Iran. By endorsing an action that would equip EU SMEs with well-researched documentation of their Iranian business partners, the Commission may contribute to convince European banks of the legitimacy of trade with Iran within the framework of the remaining EU restrictive measures.

Moreover, the action would reinforce efforts by the E3 (France, Germany and the United Kingdom) to set up a payment mechanism with Iran (INSTEX). SMEs would likely be among the target audience of INSTEX, but would still face the need to conduct the necessary due diligence checks for compliance with restrictive measures. The proposed action would therefore usefully complement the services provided by INSTEX.

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>In the context of the current political dialogue with Iran, there is a risk that Iran could disengage from the JCPOA before the project would be implemented.</td>
<td>H/M</td>
<td>The political situation will be followed closely by the related services and advice on project adjustments given.</td>
</tr>
</tbody>
</table>

1 Source: Eurostat TEC database (last update: 24 August 2018).
The Commission could be criticised for committing insufficient or too generous funds to the action.

Any such criticism would depend on how quickly the available contingent would be used up.

Providing due diligence checks on restrictive measures is a novel approach and there is a risk that the Commission could be held accountable for each advice given by the performer of the due diligence checks.

The performer of the due diligence checks would only be expected to perform due diligence checks to the best of its abilities (and not to guarantee the absence of any risk of violating restrictive measures). Appropriate disclaimers excluding any risk of legal responsibility by the Commission will, nonetheless, be important in this regard.

The action is focused solely on EU restrictive measures. It will not take into account extra-territorial sanctions to which EU SMEs could potentially be exposed.²

EU SMEs without US nexus³ are the primary target group of the proposed action.

### 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 Action⁴, which came into force on 1 January 2018, shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Under Auxiliary Services specific outreach activities will be undertaken to make the due diligence service known among the relevant business audiences which are active in relation to Iran.

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² The EU does not recognise US extra-territorial sanctions and will not commit funds to perform due diligence checks for US sanctions compliance.

³ There is no simple description of what a US nexus could be, but considerations may include whether the EU operators would have: (i) U.S. subsidiaries, branches or offices; (ii) U.S. citizen or permanent resident employees; (iii) U.S. counterparties or financiers; (iv) dealings in U.S.-origin goods or services; (v) activities conducted in or through the U.S.; or (vi) transactions denominated in USD.

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 tenders has been launched on 26 July 2019 under a suspensive clause prior to the adoption of this decision. This is justified because the EU wishes to keep the momentum of concrete actions in support to of the JCPOA.

4.2 Indicative budget

<table>
<thead>
<tr>
<th>Method of Implementation</th>
<th>Amount in EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement (direct management)</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>2.0</td>
</tr>
</tbody>
</table>

4.3 Organisational set-up and responsibilities

The proposed action will be implemented under the guidance of the Project Steering Committee, which will include relevant services of the European Commission and the European External Action Service. This combination will contribute to aligned objectives and effective implementation.

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.