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ANNEX

of the Commission Implementing Decision on the financing of the annual action plan in favour of Mongolia for 2022

Action Document for International Trade Development in Mongolia (ITDM)

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans in the sense of Article 23 (2) of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	International Trade Development in Mongolia OPSYS number: 2022/ACT-60579 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)/ Overseas Association Decision/European Instrument for International Nuclear Safety Cooperation Regulation
2. Team Europe Initiative	Yes Team Europe Initiative “Sustainable natural resource management and value chain development in Mongolia”
3. Zone benefiting from the action	The action shall be carried out in Mongolia
4. Programming document	Multi-annual Indicative Programme for Mongolia 2021-2027
5. Link with relevant MIP(s) objectives / expected results	Priority area 2: Democratic and Economic development SO-2.2: Facilitation of trade and implementation of the Generalised Scheme of Preferences (GSP+) 27 conventions (human and labour rights, environment, and good governance). ER 2.2.2: Improved trade policy and trade facilitation.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Trade DAC Code 331
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. 8.a. Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries

	Other significant SDGs and where appropriate, targets: SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation SDG 12: Ensure sustainable consumption and production patterns SDG 5: Achieve gender equality and empower all women and girls SDG17: Strengthen the means of implementation and revitalise the global partnership for sustainable development			
8 a) DAC code(s)	DAC code 331 Trade – 100%			
8 b) Main Delivery Channel @	61009 Other non-financial corporations			
9. Involvement of multilateral partners	No			
10. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Tags: digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BUDGET INFORMATION

13. Amounts concerned	<p>Budget line(s) (article, item): 14.020131-C1-INTPA</p> <p>Total estimated cost: EUR 4 000 000</p> <p>Total amount of EU budget contribution EUR 4 000 000</p> <p>This action is part of Team Europe Initiative “Sustainable natural resource management and value chain development in Mongolia”. Germany, France and Czech republic are the key TEI members as well as the EIB, ERBD and KfW. Their indicative amounts of TEI support are still to be confirmed.</p>
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MANAGEMENT AND IMPLEMENTATION

14. Type of financing	<p>Direct management through:</p> <p>- Procurement</p>
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1.2 Summary of the Action

The Multi-annual Indicative Programme (MIP) 2021 – 2027 for Mongolia focuses on two priority areas: (1) Green Sustainable Development and (2) Democratic and Economic Development. Under priority 2, Trade is one of the three targeted sub-sectors, next to Judiciary and Public Finance Management (and Domestic Revenue Mobilization). The proposed action is focused on the democratic and economic development priority area, in particular on the facilitation of trade. While it also contributes to the TEI on Sustainable Nature Resource Management and Value Chain Development in Mongolia, it also complements and reinforces planned EU actions under the Green Sustainable Development priority area, which focuses on fostering sustainable and climate resilient agricultural and forestry value chains development. The action will contribute to progress on a number of Sustainable Development Goals and consequent fulfilment of economic, social and labour rights, and gender equality, in line with Mongolia’s international human rights commitments.

By supporting trade policy and facilitation, as well as ensuring compliance with international conventions, the action will underpin Mongolia’s adherence to international standards, and open up opportunities for releasing

untapped trading potential, including with the EU, and further promote the country's green and socio-economic development and economic diversification.

The **Overall Objective** of the proposed EU action is to promote green, sustainable and inclusive development while diversifying international trade and fully utilizing benefits of the WTO accession and the Generalised Scheme of Preferences (GSP+).

The **Specific Objectives** of this action are:

SO1: Enhance effectiveness of trade policies with a special focus on sustainable and innovative sectors with high sustainability, climate relevance and export potential.

SO2: Increase trade efficiency of Mongolian Small and Medium Enterprises (SMEs) in the EU and regional markets

The **Expected Results (ER)** are:

-ER (Output) 1.1.: Coherent trade strategy for export effectiveness designed and implemented, including policies, regulatory reforms and trade negotiations as shaped by the World Trade Organisation (WTO), regional integration processes, EU's Generalised Scheme of Preferences (GSP+), the EU Registered Exporter system (REX) and Sanitary and Phytosanitary Standards (SPS).

-ER (Output) 2.1.: Increase Small and Medium Enterprises' (SMEs) capacities to export to the EU and regional markets.

-ER (Output) 2.2.: Enhanced export cluster capacity to support SMEs to access the EU and regional markets, with specific focus on the products/sectors/value chains with high sustainability, climate relevance and export potential.

-ER (Output) 2.3.: Rapid response facility established to enable rapid, efficient and effective response to unforeseen problems and issues in trade related areas.

Consultations with the key stakeholders of the previous phase have taken place to assess the needs and priorities for this programme.

While being a follow-up to the Trade Related Assistance to Mongolia (TRAM) 2017-2021, the emphasis of this action is on the technical assistance to the private sector (SMEs in particular) and export promotion as new policies and regulations developed under TRAM are yet to be adopted and implemented.

This Action is aligned with the EC priority on sustainable growth and decent jobs with various objectives under the European Green Deal (including Farms to Fork, Circular Economy), and with the EU Aid for Trade Strategy will contribute to SDG5 (Gender equality), SDG 8 (Decent Work and Economic Growth), SDG 9 (resilient infrastructure, inclusive and sustainable industrialization and innovation), SDG 12 (Responsible Consumption and Production) and SDG 17 (Partnerships to Achieve the Goal).

2 RATIONALE

2.1 Context

Mongolia's trade policy aims at adopting market-oriented reforms and reducing dependence on the mining sector. General guidelines for foreign trade are stated in the Government of Mongolia's strategic documents including the Action Plans of the Government for 2016-2020 and 2020-2024, the National Development Strategy 2017-2021 and more recently the Long-Term Development Policy Vision 2050.

With WTO accession finalized in 1997 and the ratification of the Trade Facilitation Agreement (TFA) in 2016, Mongolia concluded its first two free trade agreements: an Economic Partnership Agreement (EPA) with Japan, which entered into force in 2016, and the Asia-Pacific Trade Agreement (APTA) in September 2020, which entered into force in January 2021. Mongolia also concluded the US-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, which entered into force in March 2017.

In the first half year of 2021, Mongolia traded with 138 countries for a total trade turnover of USD 7.4 billion, of which USD 4.1 billion exports and USD 3.3 billion imports. Trade with China reached USD 5.0 billion, which is 68.0% of the total trade turnover.

With the European Union, Mongolia benefits from a Partnership and Cooperation Agreement (PCA), signed in 2013), which provides the legal framework for expanding EU-Mongolia relations in various sectors, including trade. Mongolia also benefits from the Generalized Scheme of Preferences (GSP+) scheme since 2006 which grants Mongolia full removal of tariff duties on over 66% of EU tariff lines (the Mongolian clothing, textile and cashmere sectors are so far the main beneficiaries, as the entire clothing sector, including leather goods, is eligible for GSP+ preferences at zero tariffs). Despite the GSP+ scheme which is not used to its full potential, the EU remains a minor export market for Mongolia. In 2020, the European Union total trade with Mongolia accounted for EUR 491 million, of which 52 million imports and 440 million exports¹.

The guidelines for foreign trade are spelled out in the Government's Action Plan 2020-2024 and in the Long-Term Development Plan Vision 2050 which will drive future trade related policies.

Despite its focus on China and Russia as main trading partner, and the EU not being defined as a priority target in any of the government's strategic documents, the new Policy Framework Vision 2050 offers interesting opportunities for the EU interventions. In the context of the EU-Mongolia SPS dialogue, Mongolia has provided a list of specific agri-food products that they would like to export to the EU.

By supporting trade policy and facilitation, as well as ensuring compliance with international conventions, the action will underpin Mongolia's adherence to international standards, and open up opportunities for releasing untapped trading potential, including with the EU, and further promote the country's green and socio-economic development and economic diversification.

The Ministry of Foreign Affairs (MFA) is currently responsible for developing and monitoring the overall implementation of trade policy. In addition to the MFA, several other government ministries and agencies are responsible for different aspects of trade policy. Since elections took place in June 2020, the recent and still ongoing political changes are expected to have an impact on the institutional framework regulating trade as the mandate for trade might shift from the MFA to another Ministry yet to be designated.

Trade-related assistance falls under the Multi-Annual Indicative Programme for Mongolia (2021 – 2027), as part of the EU's priority area Democratic and Economic Development. While the proposed action contributes to the TEI on Sustainable Nature Resource Management and Value Chain Development in Mongolia, it also complements and reinforces planned EU actions under the Green Sustainable Development priority area, which focuses on fostering sustainable and climate resilient agricultural and forestry value chains development. The action will also support aspects of the EU-Mongolia Forest Partnership that are promoting sustainable jobs creation in the forest sector/value chains and development of the deforestation-free agriculture value chains.

2.2 Problem Analysis

Short problem analysis: The key areas identified as hampering Mongolia's trade effectiveness and diversification in regional and international markets, in particular the European Union, are the following:

1. Need for a comprehensive Export Trade Strategy targeting the European Union and related regulations - With the objective to diversify international trade, it is important to develop a focussed export strategy in line with other policies: the fiscal policy (taxes on trade, investment incentives, subsidies), monetary policy (exchange rates, interest rates), industrial policy, investment policy, even education and vocational training policies and plans are relevant for the export sector.

As trade policy seems to focus on the regional market, which Mongolia considers as a springboard for broader trade liberalization, the regulatory requirements of trade provision in the PCA with the EU and FTAs must be considered in the development of a comprehensive export strategy targeting the European Union. This is quite complex. Implementation requires a detailed identification and description of linkages and synergies, to properly design institutional capacity building of various institutions, primarily public (Department and/or Ministry in charge of Foreign Trade, Customs Administration, etc.), but also the private sector Mongolian National Chamber of Commerce and Industry (MNCCI and other business associations), to enable the full benefit of opportunities and compliance with market requirements.

¹ Eurostat, 2020

The foreign trade related policies, regulations and law development and solutions are being adopted by different ministries and agencies and there is evident lack of coordination by the umbrella institution. This is therefore creating an unstable and unfavourable trading environment for exporters, intermediaries and primary producers.

2. Need for enhanced Trade Facilitation – Implementing policies to increase and diversify exports based on public-private partnerships, reduce barriers in foreign trade and promote trade facilitation are key principles stated in the government’s Action Plan 2020-2024. Besides addressing technical barriers such as registration/certification and/or customs regulations, trade facilitation also involves other important issues currently not addressed, e.g. SPS standards, market intelligence, better access to finance, export guarantees and exploring the possibility of establishing Export Credit Agency. Sustainable solutions allowing small and medium enterprises' (SMEs) to increase their capacities to export need to be identified and developed in close consultation between public and private sector through intense Private-Public Dialogue. In terms of priority areas to be addressed for enhancing trade facilitations, the trading across border and single window activities could be furthermore supported.

3. Need for Sector Specific Integrated Value chain development and SMEs' integration into Global value chains - Despite benefiting from GSP+ access to the EU market, Mongolia’s exports of non-mining products remain limited. Exports (to neighboring countries) remain dominated by unprocessed or minimally processed products, mainly from the agricultural and mineral sectors, thus providing low value returns. Having a limited number of exportable products without diversifying the product mix, limits the value of PCA with the EU and FTAs. The opportunities for Small and Medium Enterprises in global value chains are enormous. Participation in value chain-based clusters exposes them to a large customer/buyer base and can enhance SME competitiveness, create more jobs, and promote green, sustainable/climate smart and inclusive growth.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Stakeholders	Mandates, potential roles	Problems/Issues affecting performance	Capacities
Duty Bearers			
Public Sector – in particular Ministry of Foreign Affairs, Ministry of Food, Agriculture and Light Industries, Customs Administration, General Agency for Specialized Inspection, Mongolian Agency for Standardization and Metrology, National Committee on Gender Equality	<ul style="list-style-type: none"> • Ministry of Foreign Affairs is the main Government organization dealing with foreign trade • All 4 clusters that are planned to be supported by the action are under the mandate of the Ministry of Food, Agriculture, Food and Light Industries. • Customs Administration is a key organization in trade facilitation • General Agency for Specialized Inspection will have a role of overseeing conformity of standards and enforcement of legislations • Standardization Agency has a key role in adopting new standards that enables export of goods to the EU market • National Committee on Gender Equality is 	<ul style="list-style-type: none"> • Experiencing difficulties in understanding complex multilateral, regional and European trading environment due to lack of capacity and expertise • Limited institutional and technical capacity to develop, implement, monitor and coordinate policies, thereby fostering an enabling environment that facilitates foreign trade • Organizations dealing with different aspects of trade are not under the same ministry and this situation often requiring complex coordination efforts; lack of an integrated trade policy system as umbrella • Human resource constraints due to changes in personnel 	Strong influence in creating an enabling environment.

	responsible for monitoring gender policies and ensuring inter-ministerial coordination		
National and regional chambers (Mongolian Chamber of Commerce and Industry), apex trade organisations (e.g. Mongolian Export Cluster Network)	<ul style="list-style-type: none"> National and Provincial Chamber of commerce are the main coordinating body of export clusters 	<ul style="list-style-type: none"> Limited financial and technical capacity Need for capacity building Limited capacity to lobby on behalf of their members 	Potential capacity to support the private sector in export development.
Right holders			
Private Sector with a special focus on SMEs	<ul style="list-style-type: none"> SMEs form a large majority of the non-mining business sector and will be key beneficiaries of the action. 	<ul style="list-style-type: none"> Inadequate knowledge and lack of easy access to information on trade taxes, regulations, compliance requirements Services delivered by public and private institutions have been relevant to the needs of SMEs but are scattered and fragmented, leading to various gaps and duplications Low access to finance, marketing market research, and export management skills 	Private sector are the producers of goods and products for export
Donor organizations			
International organisations and other development partners	<ul style="list-style-type: none"> Develop, fund and implement technical assistance projects 	<ul style="list-style-type: none"> Sometimes ignoring other programmes to push own agenda. Some interventions /activities such as PPD and PPP tend to be overlapping and duplicating 	High capacity to develop synergies and complement the programme.
European Commission – DG Trade	<ul style="list-style-type: none"> Oversight of EU funded trade actions 	<ul style="list-style-type: none"> Lack of insight information on project implementation 	High capacity to provide informed technical advice to project team

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective** of the proposed EU action is to promote green, sustainable and inclusive development while diversifying international trade and fully utilizing benefits of the WTO accession and the Generalised Scheme of Preferences (GSP+).

The Specific Objectives of this action are:

SO1: Enhance effectiveness of trade policies with a special focus on sustainable and innovative sectors with high sustainability, climate relevance and export potential.

SO2: Increase trade efficiency of Mongolian Small and Medium Enterprises (SMEs) in the EU and regional markets

The **Expected Results (ER), Outputs** are:

ER (Output) 1.1. contributing to SO1: Coherent trade strategy for export effectiveness designed and implemented, including policies, regulatory reforms and trade negotiations as shaped by the World Trade Organisation (WTO), regional integration processes, EU's Generalised Scheme of Preferences (GSP+), the EU Registered Exporter system (REX) and Sanitary and Phytosanitary Standards (SPS).

ER (Output) 2.1. contributing to SO2: Increase Small and Medium Enterprises' (SMEs) capacities to export to the EU and regional markets.

ER (Output) 2.2. contributing to SO2: Enhanced export cluster capacity to support SMEs to access the EU and regional markets, with specific focus on the products/sectors/value chains with high sustainability, climate relevance and export potential.

ER (Output) 2.3 contributing to SO2: Rapid response facility established to enable rapid, efficient and effective response to unforeseen problems and issues in trade related areas.

3.2 Indicative Activities

ER 1.1 contributing to SO1:

- Build capacity of public and private stakeholders to review and/or finalize coherent trade strategy, standards (including SPS), policies and regulations aiming at developing export of non-mining products, negotiating trade agreements and increase export effectiveness.
- Build capacity of national public and private stakeholders to manage and coordinate the implementation of export policies and regulations based on the concept paper on Foreign Trade Policy for Mongolia in order to increase exports of non-mining products, in particular to the European Union.
- Continue supporting Mongolia in implementation of WTO Trade Facilitation Agreement related recommendations
- Support the Customs administration in the implementation of the modernized customs law, in defining rules and regulations, in supporting the national single electronics window system and enhancing the business community knowledge level of trading
- Support the introduction of the integrated Risk Management system in the Customs Administration
- Enhance the cooperation between EU customs and Mongolian customs to facilitate trade aiming at a possible reduction of tariff and non-tariff restrictions.

ER 2.1. contributing to SO2:

Strengthened umbrella PPD focused on foreign trade agenda by advocating the creation of strategic structure in the trade industry

- Map out the different perspectives oriented Public-Private Dialogue (PPD) and Public-Private Partnership (PPP) in Mongolia and **set up the umbrella PPD** focused on agro-sector exporting issues by incorporating the secretariat from the Government Cabinet and secretariat from MNCCI and the Ministry in charge of Foreign Trade and other relevant ministries as well as export clusters and SMEs.
- Increase export awareness among business community and government officials in terms of product adaptation, export strategies, utilization of GSP+ benefits, REX system and policy advice at national and provincial levels
- Ensure coordination between developments at the policy level and interventions at the level of the private sector in order to maximize export opportunities
- Ensure the active participation of the Ministry in charge of Foreign Trade in the PPD by linking the clusters and SMEs' potential to the non-mining export sector

Export clusters and SMEs' participation in the agri-food sector PPD improved

- Facilitate cooperation between clusters and other SMEs in cooperation with EuroChamber, with special focus on women entrepreneurs and women-led SMSs.

- Support the policy dialogue related to the creation of an Export Guarantee Fund in cooperation with the EBRD and EuroChamber
- Support the regulation and policy documentations related to challenging problems in the export clusters and SMEs industry and support the enabling environment to boost exports while fostering sustainability, climate relevance and inclusion in the global circular economy.
- Link/connect the potential buyers/contractors in the EU with export clusters and SMEs by utilizing the GSP+ benefits with the support of Euro Chamber networks
- Contribute to establishment of an “Export Development Fund” that employs transparency and good governance and which will be able to cover costs of the registration and certification processes required for access to the EU market on a sustainable basis
- Support the registration and certification processes required for access to the EU market (financial and technical assistance)
- Strengthen the national SPS legal and institutional framework for increased compliance with SPS requirements for inclusion in the EU market and global circular economy.

ER 2.2. contributing to SO2:

- Support the development of an integrated policy for the development of export clusters
- Provide capacity building for the good governance of clusters
- Link the coordination and development of export clusters’ policy frameworks with agro-sector PPD to accelerate the export performance
- Facilitate the creation of new clusters based on sustainable and/or innovative products, including a focus on circular business models, and services with high sustainability, climate relevance and export potential to the EU market
- Provide market intelligence to the clusters focused on the EU market in order to identify export opportunities and generate new exports
- Link with the European Cluster Collaboration Platform in order to enhance a cooperation among EU and Mongolian clusters
- Support the coordination of sustainable and circular value chain management in line with identified bottlenecks in the upstream and downstream chains
- Increase the exposure of clusters to the EU market in supporting the International Trade Promotion Center (ITPC) as entry point to the European market and in supporting their participation in European trade fairs
- Strengthen the Mongolian Export Cluster Network (MECN) as an independent organization and ensure its institutional and financial sustainability
- Provide technical consultancy and advice on institutional capacity building, including business intelligence solutions (B2B market research, e-commerce, regulatory study for market access to the EU market etc.)
- Support the MECN in fostering institutional links with international trade promotion organizations through a system that provides incentive for sharing information, know-how and contacts
- Lead and support the member clusters (both existing/new) by introducing international best practices and standardized sustainable operational management practices
- Provide technical and knowledge support on introducing internationally accepted manufacturing practices such as GMP, ISO standards and relevant SOPs at the production level in conjunction with practical training
- Facilitate SMEs to enhance market opportunities in the agri-food sector in supporting the development and protection of Geographical Indications (GIs) for exportable products as well as adoption of the EU Sanitary and Phytosanitary Standards (SPS).

ER 2.3. contributing to SO2:

- Define the scope and provisions to create an emergency/rapid response fund which would provide financial assistance for unforeseen events/problems affecting the members of export clusters in their efforts to develop exports to the European market.
- Assess the conditions under which the MECN could establish such a risk fund on a sustainable basis (membership fees, voluntary contributions, etc.)
- Under condition of prior positive assessment, support MECN in setting up the fund.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as not requiring an EIA, but for which environment aspects will be addressed during design.

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is low risk (no need for further assessment).

With focus on the products/sectors/value chains with high sustainability and climate change adaptation and mitigation potential (notably sustainable agriculture and forestry), this action is expected to ensure positive impact on the climate change mitigation and adaptation. Export based on sustainability and quality is expected to create value added for the whole value chains (including primary producers, e.g. herders), which should at one hand decrease environmental impact of the production/processing through adoption of green technological solutions, and provide herders with viable livelihood strategy to decrease currently unsustainable number of livestock in the country on the other hand. The action will also support aspects of the EU-Mongolia Forest Partnership that are promoting sustainable jobs creation in the forest sector/value chains and development of the deforestation-free agriculture value chains.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action will be mainstreaming gender issue into the planned activities and promote gender equality agenda through its activities. The action contributes to the EU GAP III, and particularly its' thematic areas of engagement 1) Promoting economic and social rights and empowering girls and women. Trade sector gender analysis will be used in formulation of follow-up documents to this action. Gender equality and human rights expertise will be ensured during the implementation of the intervention via integration of expertise in relevant technical assistance and capacity building activities and documents.

Human Rights

Proposed action is expected to contribute to implementation of 27 conventions of GSP+ programme, therefore human rights issues will be mainstreamed into the project. Human rights based approach and its key principles will be integrated throughout the action. All private sector actors involved in the action will abide by the UN Guiding Principles on Business and Human Rights, in particular regarding provisions ensuring adequate complaints/grievance accountability mechanisms to effectively investigate and adjudicate any potential wrongdoing or complaint.

Civil Society

This action will engage with CSOs, including social partners working in the field of trade, investment, private sector development via development of organizational, technical and evidence-based advocacy capacities and internal governance systems.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that no specific actions are planned under this action.

Democracy

Not applicable

Conflict sensitivity, peace and resilience

Not applicable

Disaster Risk Reduction

Not applicable

Digitalization

This action will aim at benefiting from digital connectivity and digital entrepreneurship opportunities in order to increase cost efficiency, number of project beneficiaries as well decrease any possible adverse affects to the environment and natural resources consumption.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
3 – people and organisation	Lack of capacity and fragmentation of the private sector to engage constructively in value chain development	L	L	It is expected that economic benefits will act as an incentive to engage in the project. The project will actively build the capacity of the Mongolian Chamber of Commerce and Industry and apex sectoral bodies to enable good coordination
3 - people and organisation	Limited priority of Government to engage in developing exports to the European Union	M	M	Buy-in of the relevant authorities will be secured through continuous dialogue and capacity building and awareness raising activities on opportunities for accessing the EU market
1 - external environment	COVID-19 pandemic broadens in 2022-2023 further restricting movements of goods and people	M	M	Alternative ways to provide expertise, such as online/hybrid interventions, will have to be developed to bridge the gap between pandemic and return to normal life
1 - external environment	Change of Ministry in charge of trade issues	M	M	The project team will engage with the new Ministry in charge to support newly appointed officers and provide full cooperation to ensure smooth and efficient transition.

Lessons Learnt:

Between 2017 and 2021, the EU has allocated considerable human and financial resources to support implementation of trade-related assistance in Mongolia. The final evaluation report confirmed that "after four years of a challenging implementation, the TRAM project has delivered in all its three components, hence contributing to an improvement of the policy and legislative framework, to better conditions and processes facilitating trade, and to the development of the export potential for non-mining products".

While most trade related assistance programmes target the public sector, inclusion of private sector greatly enhances effectiveness. Private trade associations have a better track record in providing and disseminating information than governmental agencies and are more responsive to their members' needs. However, human

resources are a challenge, and research capacity is low. On trade facilitation, services delivery by public and private institutions have been relevant to the needs of SMEs but are scattered and fragmented, leading to various gaps and duplications. The planned action will provide a focused, integrated and coordinated approach to improve the range and quality of the trade support services offered by trade support and policy making institutions, for the benefit of Mongolian SMEs.

It is also important to ensure that proper institutional linkages are made in developing trade related actions, as these go beyond a single entity or border. Linked to this are the lessons on the value of existing trade agreements and market access. Market diversification and product diversification is important to export development. The EU's 2017-2021 Trade Related Assistance Project focused on strengthening four export sectors (cosmetics, sea buckthorn oil, textiles from yak and baby camel hair, yak leather products). Yet these exports are reliant on imported inputs. The selection of areas of support must keep in mind the real benefit to the balance of trade, as well as a pro poor and sustainable/climate resilient approach, a lesson this project will build on through its focus on cluster development in selected sectors.

The creation of four export clusters under the TRAM project has revealed the way to go further in establishing more clusters and advancing the actions already taken by the first generation of clusters for which market penetration to the European market has been successfully prepared. More SMEs than those participating in clusters will be invited to join the project and join efforts with the aim to achieve tangible results in terms of export volumes.

The main lesson learnt from the implementation of the programme in Mongolia, especially when focussing on policy, is the need to secure Government commitment/ownership and participation from the private sector. The Ministry of Foreign Affairs and the Mongolian Chamber of Commerce and Industry have been actively involved in the implementation of the programme, and the combination of these two organisations has produced sound results and considerable ownership on both sides. However, the capacity building in the Ministry of Foreign Affairs could be improved as well as commitment from the Government to adopt drafted laws.

3.5 The Intervention Logic

The underlying intervention logic for this action is that:

By taking an integrated approach to enhancing trade (strategic/policy perspective, foreign trade enabling environment, export promotion and rapid response facility) and enhancing capacity of the core stakeholders from the public and from the private sector, this action will: i) increase trade efficiency of Mongolian Small and Medium Enterprises (SMEs) in the EU market; and ii) enhance capacity of Mongolian public institutions and the private sector to define and implement effective trade policies. This should lead to Mongolia taking advantage of non-mining international trade opportunities that fosters economic diversification and green, sustainable and inclusive development.

The fact that special focus of this action is on sustainable and innovative products/sectors (e.g. sustainable agriculture and forestry value chains) and services with high sustainability, climate relevance and export potential, should ensure that this action foster green, sustainable and inclusive development.

The above intervention logic assumes that: i) trade increase (with focus on sustainable and innovative products/sectors and services with high sustainability, climate relevance and export potential) will subscribe to the ultimate goal of sustainable, green and inclusive economic growth; ii) private sector will be able to play a key role in the definition of needs and constraints affecting the development of a sound business environment and overall competitiveness, and to contribute towards overcoming the major obstacles faced by Mongolia in achieving its long-term trade potential; and iii) Government will remain committed to trade liberalization and maintenance of an open economy.

To ensure sustainability of its intervention and increased impact, the action aims to have a strong focus on the private sector (SMEs in particular) and to develop synergies with the “Support to SME Development in Mongolia” (implemented by the EBRD) and other potential EFSD+ actions as well as with the non-EU funded trade related initiatives².

² i) “Export Development Project (EDP)” implemented by MOFALI and funded by WB soft loan; ii) ADB project “Regional improvement of border services project 2016-2023”; iii) World Bank funded “Livestock Commercialization Project (LCR) (2020-2025)”.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Green, sustainable and inclusive development is promoted while diversifying international trade and fully utilizing benefits of the WTO accession and the Generalised Scheme of Preferences (GSP+)	<ol style="list-style-type: none"> Absolute value of Mongolia's total foreign trade turn-over Value of exports turn-over of non-mining products to the European Union and other markets. Export of goods as percentage of GDP. Export of services as percentage of GDP 	<ol style="list-style-type: none"> 11,106,039,738 Euros (2020) 2,001,444,769 Euros (2020) As of end 2019 merchandise export is 9.6% As of end 2019 export of services 10.9% 	<ol style="list-style-type: none"> TBD (2026) TBD (2026) Increase in merchandise export by 2% (2026). Increase in export of services by 2% (2026). 	<ol style="list-style-type: none"> Mongolian Customs Office Mongolian Customs Office National Statistics Office National Statistics Office 	<i>Not applicable</i>
Outcome 1	Enhance effectiveness of trade policies with a special focus on sustainable and innovative sectors with high sustainability, climate relevance and export potential.	<ol style="list-style-type: none"> Status of trade policy measures and implementing regulations related to trade policy to fully utilize the benefits of Mongolia's accession to WTO. Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced 	<ol style="list-style-type: none"> Law on foreign trade, Antidumping and countervailing regulation under drafting; Safeguard regulation adopted (2021) 0 (2022) 	<ol style="list-style-type: none"> Following legal acts drafted and/or adopted: regulation on licensing procedures, modernized customs law, law on non-food product safety, technical regulations on different SPS and TBT measures. (2026) At least 5 (2026) 	<ol style="list-style-type: none"> Project's final report Project's final report 	Continued good collaboration and commitment from the stakeholders
Outcome 2	Increase trade efficiency of Mongolian Small and Medium Enterprises (SMEs) in the EU and regional markets	<ol style="list-style-type: none"> Export sales value of beneficiary Mongolian SMEs to EU and regional markets Export sales volume of beneficiary Mongolian SMEs to regional and EU markets Number of new export markets entered by beneficiary SMEs 	<ol style="list-style-type: none"> TBD by the baseline survey TBD by the baseline survey 0 in 2022 0 in 2022 110 companies (2021) 	<ol style="list-style-type: none"> 20% increase (2026) 20% increase (2026) 10 (2026) 10 (2026) 300 companies (2026). 	<ol style="list-style-type: none"> Project's end line survey Project's end line survey Project's final report Project's final report Project's final report 	Foreign market is accessible as restrictions related to pandemic is over. Macro-economic situation is stable and no new shocks experienced.

		<p>2.4. Number of products exported to the EU for the first time</p> <p>2.5. Number of companies using the services (e.g. licenses, certificates) offered by Government and Non-Government institutions under EU REX.</p>				Private sector able to play a key role in the definition of needs and constraints affecting the development of a sound business environment and overall competitiveness
<p>Output 1.1. related to Outcome 1</p>	<p>1.1. Coherent trade strategy for export effectiveness designed and implemented, including policies, regulatory reforms and trade negotiations as shaped by the World Trade Organisation (WTO), regional integration processes, and EU's Generalised Scheme of Preferences (GSP+), the EU Registered Exporter system (REX) and Sanitary and Phytosanitary Standards (SPS).</p>	<p>1.1.1 Number of export-related initiatives aligned to the strategic action plans implemented with support of the EU-funded intervention</p> <p>1.1.2 Number of cases in which policy making institutions have considered private sector inputs in policy making, regulations and trade negotiations with support of the EU-funded intervention</p> <p>1.1.3 Number of policy makers and businesses trained by the EU-funded intervention with increased knowledge and/or skills in the WTO FTA, GSP+ and SPS, disaggregated by sex</p> <p>1.1.4 Number of recommendations made on the single window implementation with support of the EU-funded intervention</p> <p>1.1.5 Number of decision makers and stakeholders</p>	<p>1.1.1. 0 (2022)</p> <p>1.1.2. 0 (2022)</p> <p>1.1.3. 0 (2022)</p> <p>1.1.4. 0 (2022)</p> <p>1.1.5. 0 (2022)</p> <p>1.1.6. 0 (2022)</p>	<p>1.1.1. 5 interventions (2026)</p> <p>1.1.2. 5 interventions (2026)</p> <p>1.1.3. 200 participants (2026)</p> <p>1.1.4. TBD by the baseline survey (2026)</p> <p>1.1.5. 100 (2026)</p> <p>1.1.6. At least 10 (2026)</p>	<p>1.1.1. Project's end line survey</p> <p>1.1.2. Project's end line survey</p> <p>1.1.3. Pre and post training tests</p> <p>1.1.4. Project's final report</p> <p>1.1.5. Project's final report</p> <p>1.1.6. Project's final report</p>	Continued governmental commitment to trade liberalization and maintenance of an open economy.

		<p>participating in advocacy activities aimed at sensitizing on benefits of Mongolia's accession to WTO.</p> <p>1.1.6 Number events, meetings and capacity building activities on promoting the EU trade, investment and business related policies and procedures</p>				
<p>Output 2.1. related to Outcome 2</p>	<p>2.1. Increased small and medium enterprises' (SMEs) capacities to export to the EU and regional markets</p>	<p>2.1.1.Extent to which EU-funded intervention contributed to establishment of umbrella PPD with a focus on agri-food sector export</p> <p>2.1.2.Level of utilization of GSP+ benefits</p> <p>2.1.3.Extent to which EU-funded intervention contributed to establishment of export Development Fund (EDF)</p> <p>2.1.4.Number of quality schemes with European standards adopted by economic operators with EU support</p> <p>2.1.5.Status of development of Cross border e-commerce.</p> <p>2.1.6.</p>	<p>2.1.1. 0 (2022)</p> <p>2.1.2. TDB by the baseline survey (2022)</p> <p>2.1.3. EDF does not exist (2022)</p> <p>2.1.4. 0 (2022)</p> <p>2.1.5. Currently no regulation / policy / platform in place (2021).</p>	<p>2.1.1. At least 1 PPD established and functional (2026)</p> <p>2.1.2. 50% increase from the baseline (2026)</p> <p>2.1.3. EDF is established (2026)</p> <p>2.1.4. At least 4 (2026)</p> <p>2.1.5. Regulation implemented (2026)</p>	<p>2.1.1. Project's final report</p> <p>2.1.2. Project's end line survey</p> <p>2.1.3. Project's final report</p> <p>2.1.4. Project's final report</p> <p>2.1.5. Customs office report</p>	<p>Continued governmental commitment to trade liberalization and maintenance of an open economy.</p> <p>The EU funded interventions are implemented as per plan, without any delay</p> <p>SMEs are not facing any restrictions in regard to accessing foreign market</p>
<p>Output 2.2.</p>	<p>2.2. Enhanced export cluster capacity to support SMEs to access EU and regional markets, with</p>	<p>2.2.1. Number of stakeholders trained by the EU-funded intervention with increased knowledge and/or skills in</p>	<p>2.2.1. 0 (2022)</p> <p>2.2.2. 0 (2022)</p> <p>2.2.3. Currently Export Cluster Network</p>	<p>2.2.1. 200 stakeholders (2026)</p> <p>2.2.2. 50 SMEs (2026)</p>	<p>2.2.1. Pre and post training tests</p> <p>2.2.2. Project's annual and final reports</p>	<p>Continued governmental commitment to trade</p>

related to Outcome 2	specific focus on the products/sectors/value chains with high sustainability, climate relevance and export potential.	management and good governance of export clusters, disaggregated by sex 2.2.2. Number of SMEs benefiting from new clusters established by the EU funded intervention 2.2.3. Mongolian Export Cluster Network financially sustainable 2.2.4. Number of beneficiary SMEs, including youth and women-owned enterprises, showing improvements in product compliance with quality standards and requirements 2.2.5. Geographical Indication (GI) for exportable agricultural products developed and protected	has no financial sustainability 2.2.4. 0 (2022) 2.2.5. 1 GI patent (2022)	2.2.3. Export Cluster Network financially sustainable (2026) 2.2.4. 100 SMEs (2026) 2.2.5. 4 GI patents developed (2026)	2.2.3. Annual report of MNCCI 2.2.4. Project's end line survey 2.2.5. Project's end line survey	liberalization and maintenance of an open economy. The EU funded interventions are implemented as per plan, without any delay SMEs are not facing any restrictions in regard to accessing foreign market
Output 2.3. related to Outcome 2	2.3. Rapid response facility established to enable rapid, efficient and effective response to unforeseen problems and issues in trade related areas	2.3.1. Number of interventions supported by the rapid response facility	2.3.1. Rapid response facility does not exist (2022)	2.3.1. Facility established and operational	2.3.1. Project reports, Operations Manual of facility	Willingness of business community to support the establishment of the facility

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 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 responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³.

4.3.1 Direct Management (Procurement)

In order to achieve the objectives of this action under section 3.1. a service contract will be signed for an amount specified in section 4.5.

4.4 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.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Procurement – cf. section 4.3.1 <i>Including on Strategic Communication and Public Diplomacy</i>	3 800 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	200 000
Contingencies	N.A.
Totals	4 000 000

³ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.6 Organisational Set-up and Responsibilities

A Project Steering Committee (PSC) will be established to provide strategic guidance and ensure coherence and coordination between the different activities of the project.

The PSC will be jointly chaired by a representative from Ministry in charge of Foreign Trade and representatives from the EU Delegation responsible for Mongolia and DG Trade. It will meet at least two times per year at the premises of the Ministry in Ulaanbaatar.

Members of the PSC will be agreed upon by the co-Chairs and will include representatives from other key beneficiary ministries, other important trade-related public bodies, and key intermediary organizations.

The PSC will review and endorse annual work plans, monitor project outputs and achievements and not least provide advice on how to address the obstacles and challenges identified during the implementation.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

4.7 Pre-conditions

No pre-conditions applicable

5 PERFORMANCE MEASUREMENT

5.1 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 partner's responsibilities. To this aim, the 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 (for project modality).

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).

Roles and responsibilities for data collection, analysis and monitoring:

Data collection, analysis and monitoring functions will be one of primary responsibilities of the team leader of the planned action. Baseline survey will need to be conducted at the inception of the planned action to determine baselines of indicators of the log-frame. Project end-line survey will be conducted to provide source of verification of data that are not available. Baseline and end-line surveys are to be funded by the planned action's budget.

Main source of data will be baseline survey, end-line survey, National Statistics Office, Mongolian Customs Office, Reports of the Mongolian Authority for Standardization and Measurement, WTO Trade Policy Review Report, WB Economic Update Report as well as research conducted by the various academia and research organizations.

The team leader of the planned action will monitor and report on the achievement of defined indicators of the log-frame on an annual basis.

5.2 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components by independent consultants contracted by the contracting authority.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to progress achieved and identification of possible difficulties for which corrective actions would be necessary.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision) as well as for the authentication of the proposed sustainability strategy.

The Commission shall inform the implementing partner at least 1 month in advance of the dates envisaged 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 may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination⁴. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

⁴ See best [practice of evaluation dissemination](#)

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action