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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

ANNEX

of the Commission Implementing Decision on the financing of the annual action plan in favour of Islamic Republic of Iran for 2021

**Action Document for EU-Iran Trade Development project –phase II**

**ANNUAL PLAN**

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

1. SYNOPSIS

1.1. Action Summary Table

<b>1. Title</b> <b>CRIS/OPSYS</b> <b>business reference</b> <b>Basic Act</b>	<b>EU-Iran Trade Development project – phase II</b> CRIS number: NDICI ASIA/2021/043-497 Financed under the Neighbourhood, Development and International Cooperation Instrument ( <u>NDICI-Global Europe Regulation</u> )
<b>2. Team Europe Initiative</b>	No.
<b>3. Zone benefiting from the action</b>	The action shall be carried out in the Islamic Republic of Iran (countrywide).
<b>4. Programming document</b>	2021-2027 Multiannual Indicative Programme for IR Iran
<b>5. Link with relevant MIP(s) objectives/expected results</b>	SO 1.1 – Iran is integrated into the global economy SO 1.2 – A propulsive private sector is developed and business environment and investment climate enhanced  ER 1.1.1 – Better conditions for trade and investment relations between Iran and the EU as well as the region and the rest of the world ER 1.2.2 – Increased openness of Iran’s economy and competitiveness of the private sector
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Priority Area 1: Sustainable Growth and Jobs Sector 1: Trade Sector 2: Private sector development DEV. Assistance: YES
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: SDG 8 (Decent Work and Economic Growth) Other significant SDGs: SDG 9 (Industry, Innovation and Infrastructure)
<b>8 a) DAC code(s) <sup>1</sup></b>	DAC 331 – Trade Policy and Regulation DAC 321 – Industry

<sup>1</sup> DAC sectors (codes and descriptions) are indicated in the first and fourth columns of the tab ‘purpose codes’ in the following document: <http://www.oecd.org/dac/financing-sustainable-development/development-financestandards/dacandscodelists.htm>

<b>8 b) Main Delivery Channel</b>	41000 (United Nations agency, fund or commission)			
<b>9. Targets<sup>2</sup></b>	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <sup>3</sup> <input type="checkbox"/> Human Rights, Democracy and Governance <sup>4</sup>			
<b>10. Markers <sup>5</sup> (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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 checked="" 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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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"/>
<b>11. Internal markers<sup>6</sup> and Tags<sup>7</sup>:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags: digital connectivity		<input type="checkbox"/>	<input type="checkbox"/>
	digital governance		<input type="checkbox"/>	<input type="checkbox"/>
	digital entrepreneurship		<input checked="" type="checkbox"/>	<input type="checkbox"/>

<sup>2</sup> Actual contribution to targets will be confirmed ex-post based on a standardised methodology.

<sup>3</sup> This target is specific to INTPA. If the action is marked as contributing to the Education target, please make sure the target on "Social inclusion and Human Development" is also marked.

<sup>4</sup> Thematic target for geographic programmes (at least 15%) in delegated act.

<sup>5</sup> For guidance, see <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/> (go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive).

If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

<sup>6</sup> The internal markers have been created to report on the implementation of the Commission's own policy priorities in areas where no DAC reporting tool is available. For the sake of consistency and comparability, the methodology is equivalent to the DAC markers, with three possible positions (main target, significant target, not targeted)

<sup>7</sup> Methodology for additional tagging providing granularity on internal markers is under development.

	job creation		<input type="checkbox"/>	<input type="checkbox"/>
	digital skills/literacy		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital services		<input type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags: transport		<input type="checkbox"/>	<input type="checkbox"/>
	people2people		<input type="checkbox"/>	<input type="checkbox"/>
	energy		<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity		<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(methodology for tagging under development)			
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(methodology for marker and tagging under development)			
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line (article, item): BGUE-B2021-14.020130-C1-INTPA Total estimated cost: EUR 7,000,000.00 Total amount of EU budget contribution: EUR 7,000,000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>8</sup></b>	<b>Indirect management</b> with World Trade Organisation – International Trade Centre (45001 WTO-ITC)			

## 1.2. Summary of the Action

EU's trade with and investments in Iran are significantly below their potential considering the size of the two markets. Until 2019, the EU was one of Iran's largest trading partners after the U.A.E. and before China. However, in the context of the re-imposition of US sanctions related to JCPOA, the subsequent limitations of payment and banking channels and the risk averse market choices by some European economic operators, the volume of trade declined by more than 70% in 2019 and the situation did not change significantly in 2020.

Currently, there are ongoing diplomatic efforts to go back to the full implementation of the JCPOA, including the US re-joining the nuclear deal. If diplomatic efforts will be successful, a fully implemented JCPOA will lead to a subsequent lifting of US related sanctions and will likely re-open significant opportunities for the EU and Iran to strengthen economic relations.

The interest of the EU is to reverse the current trends in trade and investment relations including through targeted support to help aligning Iranian regulatory and business environment with EU/international best practices.

The Action described in this Action Document is a next phase of the ongoing 8 million EUR 'EU-Iran Trade Development' project (MIDEAST/2018/403-302). It has three Specific Objectives:

1. Improve capacity of Iranian animal product exporters to comply with EU's import requirements
2. Enhance capacity of Iranian SMEs and enterprises to trade and invest
3. Enhance capacity of Iran's private sector/trade support institutions to serve their members.

Differently put, the Action aims at setting up an EU accredited laboratory for animal products with the Ministry of Agriculture-Jihad; establishing a digital platform for networking, trade and investments for European and Iranian SMEs and enterprises and building new tools, including digital ones, for Iran Trade Promotion Organisation, Iran Chamber of Commerce, Industries, Mines and Agriculture and Iran Chamber of Cooperatives so that they could better serve their members.

Special consideration is given to supporting female-led SMEs and cooperatives as well as to green and circular

<sup>8</sup> Art. 27 NDICI-Global Europe Regulation

economic and business models. Further, the Action is in line with the Commission Communication on 'Achieving Prosperity through Trade and Investment'.

The Action may be implemented through indirect management modality with World Trade Organisation's International Trade Centre.

## 2. RATIONALE

### 2.1. Context

The Islamic Republic of Iran is a Lower Middle Income Country<sup>9</sup> (LMIC) with a population of 85 million, educated workforce and massive fossil fuel reserves. Located at the intersection between the Middle East, Central Asia and South Asia, Iran is a key geopolitical power in the region.

Relations with the EU are impacted by the implementation of the multilateral international agreement Joint Comprehensive Plan of Action (JCPOA) on the Iranian nuclear programme, which represents a key security priority for the EU. Signed in July 2015, this nuclear deal opened opportunities for dialogue and mutually beneficial cooperation in several areas. 2018 witnessed a withdrawal of the US from the agreement and re-imposition of related sanctions on Iran. This has worsened the economic situation in the country; it has contributed to annual inflation rates of 30.5%<sup>10</sup>. Iran GDP in 2018 fell by 6% and in 2019 by 6.8%<sup>11</sup>. Further, Iran has been badly hit by the COVID-19 pandemic<sup>12</sup>. However, its economy has proven to be resilient and in 2020 experienced a 1.5% GDP growth.

In addition to the above, Iran faces structural economic challenges. Years of isolation from international markets have limited its economic competitiveness<sup>13</sup>. Improved economic governance and the fight against widespread corruption are among the country's key political priorities<sup>14</sup>. Iran is also trying to diversify from its heavy reliance on oil and gas revenues. World Bank's 2019 "Ease of Doing Business" report places Iran in 127<sup>th</sup> place out of 190 surveyed countries. Despite some initial progress on its Financial Action Task Force (FATF) Action Plan, Iran did not complete it and, as of early 2020, FATF described Iran as a high-risk jurisdiction with significant strategic deficiencies in its regime to counter money laundering, terrorist financing, and financing of proliferation.

EU's trade with and investments in Iran are significantly below their potential considering the size of the two markets. Until 2019, the EU was one of Iran's largest trading partners after the U.A.E. and before China. However, in the context of the re-imposition of US sanctions related to JCPOA, the subsequent absence of payment and banking channels and the risk averse market choices by European economic operators, the volume of trade declined by more than 70% in 2019 and the situation did not change significantly in 2020.

Currently, there are ongoing diplomatic efforts to go back to the full implementation of the JCPOA including the US re-joining the nuclear deal and subsequent lifting of US related sanctions. If diplomatic efforts will be successful, a fully implemented JCPOA is likely to open significant opportunities for the EU and Iran to strengthen economic relations.

The interest of the EU is to reverse the current trends in trade and investment relations including through targeted support to help aligning Iranian regulatory and business environment with EU/international best practices. Further, the EU has an interest of pursuing a commensurate EU-Iran trade relations, also through EU-Iran experts meetings on trade, investment, regulation and industry. The EU has a favourable view of Iran's efforts to accede to the World Trade Organisation.

The main risks for EU-Iran cooperation and the Action described in this Action Document are: (i) further degradation of the implementation of the JCPOA; (ii) absence of an EU Delegation in Tehran, which limits monitoring, EU visibility and direct dialogue with Iranian counterparts.

The Action is in line with: (i) President von der Leyen's vision of a geopolitical Commission through developing closer economic ties with Iran; (ii) the 2016 Joint Statement by HR/VP Mogherini and FM Zarif, which serves as a

<sup>9</sup> The World Bank has reclassified Iran from an Upper Middle Income Country to a Lower Middle Income Country on 1 July 2021.

<sup>10</sup> IMF Datamapper: <https://www.imf.org/external/datamapper>; recent official reports from the Statistical Organisation of Iran have reported rates up to 48.7% comparing to March 2020

<sup>11</sup> International Monetary Fund

<sup>12</sup> Since the onset of the COVID-19 pandemic Iran has officially experienced more than 3 million cases and 80 thousands deaths.

<sup>13</sup> According to World Economic Forum's 2019 Global Competitiveness Index, Iran ranks 88<sup>th</sup> out of 141 surveyed countries.

<sup>14</sup> According to Transparency International's 2020 Corruption Perception Index, Iran occupies the 149<sup>th</sup> place out of 179 countries.

framework document for EU-Iran cooperation; (iii) the European Consensus on Development; (iv) the Commission Communication on 'Achieving Prosperity through Trade and Investment' (v) European Green Deal policy (e.g. Circular Economy Action Plan, Farm to Fork Strategy); and (vi) Gender Action Plan III 2021-2025.

## 2.2. Problem Analysis

**Component I:** In 2020, the European Commission (DG SANTE, DG TRADE and DG AGRI) identified some opportunities for enhancing trade relations in aquaculture products, a sector in which Iran has competitive advantages globally in terms of supply capacity and quality.

The EU is the world's biggest importer of fish, seafood and aquaculture products. Whereas EU/EEA markets are open to these products, the inability of Iranian exporters to meet, and demonstrate compliance with European certification requirements limits their market access. Reliable laboratory test results carried out in EU-accredited facilities, in accordance with ISO/IEC 17025<sup>15</sup> formal EU recognition of the competent authority, as well as regularly submitted and compliant residue monitoring plans, are a pre-requisite for eligibility and authorization to export to these products to the EU.

The Central Veterinary Laboratory (CVL) is Iran's national competent authority for residue monitoring in animal and animal products. Since CVL is not an EU accredited body, Iran's Veterinary Organisation (IVO; an agency of the Ministry of Agriculture Jihad) has been outsourcing product testing to an EU-accredited reference laboratory in France with specific competencies for aquaculture products for exports to the EU. In 2021, Iranian shrimp, caviar, and trout received import authorization from the European Commission through DG INTPA's 'EU-Iran Trade Development' project (MIDEAST/2018/403-302), which supported sample testing at an EU reference lab, as well as preparation and submission of related annual Residue Monitoring Plan (RMP) to DG SANTE.

However, this type of *ad hoc* support is not cost-efficient and sustainable. Further, the fishery sector is crucial for the livelihood and job creation in northern and southern provinces. Iran has a large untapped export potential. Considering only the example of caviar and shrimps, even in the sanctions intensive 2020, about 1.3 tons of caviar and 133 tons of shrimps were exported to EU member states. This represents about 780,000 and 680,000 euros in revenues, respectively. Given Iranian production levels, IVO estimates that revenues in caviar could easily reach EUR 3.5 million and EUR 75 million for shrimps.

**Component II:** The Export Potential Assessment carried out by the 'EU-Trade Development' project in 2019 shed light on the significant and untapped trade potential between Iran and the EU. Namely, it identified high potential sectors under two scenarios (i.e. with and without US imposed sanctions). The assessment paved the way for the development of Iran's National Export Strategy (NES) 2021 – 2025, which focuses on six sectors: fruits and vegetables; medicinal herbs; automotive parts; petrochemicals; information and communications technology; and tourism.

Complementary to this work, the 'EU-Iran Trade Development' project delivered the Europe-Iran Business Forum (EIBF) in March 2021, a virtual event that served as a digital platform for European and Iranian SMEs and enterprises to seek business opportunities and build relations. EIBF consisted of a three-day conference, a series of capacity-building courses for Iranian SMEs and enterprises, and business networking activities. EIBF witnessed participation of more than 2000 SMEs and enterprises, delivered 32 capacity-building courses and included 159 B2B meetings<sup>16</sup>.

Despite the US-imposed sanctions and the COVID-19 pandemic, EIBF was a successful proof of concept that validates the EU-Iran trade and investment potential. Considering Iran is to a large degree a closed economy and its SMEs and enterprises lack opportunities to establish business relations with European counterparts all relevant stakeholders consider that a digital platform similar to the EIBF model should be set up to serve Iranian and European SMEs and enterprises on a continuous basis and in a sustainable manner.

**Component III:** Trade-support institutions play a pivotal role in enabling export/import success. Institutional support features prominently in the 'EU-Iran Trade Development' project. It mostly targets the Iran Trade Promotion Organisation (ITPO; an agency of the Ministry of Industry, Mine and Trade (MIMT)) and includes performance improvement at the structural, organisational and operational levels, service portfolio development, and staff training. It also includes training of public administration staff on EU mandatory requirements concerning agri-food products, and the mainstreaming of climate change for relevant trade promotion organisations.

The successful establishment of the 'EU-Iran Trade Development' project in Iran led to engagement with two other

<sup>15</sup> ISO/IEC 17025:2017 – General Requirements for the competence of testing and calibration laboratories.

<sup>16</sup> Business-To-Business

trade-support institutions beside ITPO. Namely, with the Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA) and Iran Chamber of Cooperatives (ICC), which have been involved in various project activities, proving useful linkages to the private sector. Consultations which took place in the context of EIBF helped identify new areas of interest and opportunities. Specifically, similar assistance provided to ITPO is needed for ICCIMA and ICC. This would help them better serve Iranian SMEs, enterprises and cooperatives, including through digital tools, as well as better integrate ITPO, ICCIMA and ICC.

Key stakeholders related to this Action are:

Ministry of Industry, Mine and Trade (MIMT): The main counterpart of the ‘EU-Iran Trade Development’ project. MIMT is responsible for the regulation and implementation of policies applicable to domestic and foreign trade, as well as regulation and implementation of policies applicable to industrial and mine sectors. MIMT is aware of the challenges and constraints the country is facing. It also understands well the potential positive benefit of technical assistance, and is fully willing to cooperate with donors in programming and implementation of technical assistance activities.

Iran's Trade Promotion Organization (ITPO): With headquarters at Tehran, and operating under MIMT, ITPO is in charge of the promotion of trade in the Iran.

The Ministry of Agriculture-Jihad is responsible for the oversight of agriculture in Iran, including the promotion of agronomy and animal farming, as well as agricultural research to achieve agricultural self-reliance. It is the country's focal point for sanitary and phytosanitary (SPS) measures and value chain support.

Iran Veterinary Organisation (IVO) is responsible for animal health and health standards related to animal products.

Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA) is the main organisation representing the private sector in the country and has access to the Iranian government at the highest level. It is semi-public and works to advocate to the government in the interest of the country's private sector. It provides some services to enterprises, including training, and is an official partner of EuroChambres.

Iran Chamber of Cooperatives (ICC) is one of the largest organisations in Iran. Its membership includes 94 000 cooperatives that have more than 11 million individual members. It covers more than 120 business sectors and contributes to more than 7% of Iran's GDP.

Other important stakeholders include:

- Ministry of Foreign Affairs
- Iran High Level Export Council
- Vice-Presidency for Science and Technology
- Organization for Investment Economic and Technical Assistance of Iran
- Islamic Republic of Iran Customs Administration
- Food and Drug Administration of Iran
- Institute of Standards & Industrial Research of Iran
- Food and Agriculture Organisation (UN agency)
- EuroChambers
- Business Europe
- EU Member States' Chambers of Commerce

The final beneficiaries of the Action are private sector entities (MSMEs and cooperatives).

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is to contribute to sustainable economic and social development in Iran.

The **Specific Objectives (Outcomes)** of this action are to

4. Improve capacity of Iranian animal product exporters to comply with EU's import requirements
5. Enhance capacity of Iranian SMEs and enterprises to trade and invest
6. Enhance capacity of Iran's private sector/trade support institutions to serve their members

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 contributing to Outcome 1 (or Specific Objective 1): Needs of CVL (and other relevant bodies) to obtain EU

accreditation identified

- 1.2 contributing to Outcome 1 (or Specific Objective 1): CVL prepared for ISO 17025 accreditation
- 1.3 contributing to Outcome 1 (or Specific Objective 1): IVO (and other relevant bodies) able to design and implement annual Residue Monitoring Plans
  
- 2.1 contributing to Outcome 2 (or Specific Objective 2): Established digital platform for Iranian and European SMEs and enterprises and access to trade information is improved
- 2.2 contributing to Outcome 2 (or Specific Objective 2): Enhanced sector-specific knowledge and relations with counterparts
- 2.3 contributing to Outcome 2 (or Specific Objective 2): Established new market linkages
  
- 3.1 contributing to Outcome 3 (or Specific Objective 3): Strengthened capacity of private sector/trade support institutions to serve the private sector is strengthened
- 3.2 contributing to Outcome 3 (or Specific Objective 3): Increased visibility of green transition, international labour standards and gender issues in private sector/trade support institutions

### 3.2. Indicative Activities

Activities related to Output 1.1:

- Identify IVO's (and other relevant bodies') needs in relation to accreditation against ISO IEC 17025: 2017
- Identify IVO's (and related bodies' and laboratories') needs in relation to design and implementation of annual RMP according to EU requirements
- Identify any additional requirements towards EU accreditation of IVO

Activities related to Output 1.2:

- Training and advisory support to IVO for accreditation
- Provision of relevant technical equipment to IVO for accreditation

Activities related to Output 1.3:

- Training and advisory support to IVO to design annual RMP
- Training and advisory support to IVO and other relevant bodies to implement the RMP

Activities related to Output 2.1:

- Set up a digital platform for Iranian and European SMEs and enterprises
- Develop a due diligence methodology to ensure participants of a digital platform are not listed among EU restrictive measures (sanctions), nor violate EU sectoral sanctions (e.g. export of dual-use goods)
- Develop a robust methodology for selecting SMEs and enterprises to whom direct support would be provided<sup>17</sup>
- Populate and maintain digital platform with relevant trade and investment information
- Develop Export Guide for Iranian SMEs and enterprises
- Develop Import Guide for European SMEs and enterprises
- Support networking between participants
- Enhance networking functions of digital platform to boost peer-learning and exchange of experience
- Establish a referral system with the 'Due Diligence Helpdesk on EU Sanctions for EU SMEs dealing with Iran'

Activities related to Output 2.2:

- Establish sectoral working groups
- Develop virtual capacity-building courses for SMEs and enterprises (including on EU standards and regulations)
- Deliver sector-based coaching to selected SMEs and enterprises
- Develop courses for European SMEs and enterprises on trading with and investing in Iran

Activities related to Output 2.3:

- Organize the Europe-Iran Business Forum on a regular basis
- Organize and sponsor study visits, marketing missions, familiarization missions, participation in trade events for selected export-ready enterprises and government officials, focusing on regional and European markets
- Support relevant government bodies in setting up regulatory systems that enhance the investment climate

<sup>17</sup> This methodology will be fully in line with EU sanctions and any other relevant restrictions.

for EU economic operators

Activities related to Output 3.1:

- Establishment of an “Export Clinic” at ITPO to provide consulting-like services building to enterprises
- Support relevant trade/private sector support institutions to become members of European business networks
- Support ICC to develop and implement its export strategy and create set of services to support its export-ready members

Activities related to Output 3.2:

- Establish ICCIMA as the National Focal Point for: (i) Gender: to promote female-led SMEs and cooperatives; (ii) Green transition: to raise awareness on green production, renewable energy, energy efficiency, carbon intensity, new EU and international standards and regulation and (iii) labour rights: to promote the implementation of international labour standards, including the ILO core conventions.
- Awareness raising workshops on green transition and gender to allow mainstreaming across the activities of the three institutions (ITPO, ICCIMA and ICC)
- Groups dedicated to women networking established on the digital platform
- Produce a gender sector analysis related to Iranian private sector

### 3.3. Mainstreaming

#### **Environmental Protection & Climate Change**

**Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

**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 Category C (no need for further assessment).

**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 no or low risk (no need for further assessment).

The Action will have a focus on green transition, i.e. on green and circular economic and business models.

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#### **Gender equality and empowerment of women and girls**

No Gender Country Profile for Iran has been conducted. As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. The Action will support female-led SMEs and cooperatives. This adds to empowerment of women and increased gender equality. Similarly, disaggregated data collected during the programme cycle will help make clear to what extent the action benefits women.

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#### **Human Rights**

Cross-cutting issues, such as gender and human rights, including labour rights, will be carefully considered and mainstreamed throughout the implementation process, ensuring a Rights Based Approach (RBA) This would reinforce the capacities of duty bearers (public institutions), private sector and the rights-holders (people). The Action will implement the five RBA working principles in all phases (i.e. respect to all human rights, participation, non-discrimination, transparency and accountability).

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#### **Disability**

The Action does not contribute to persons with disabilities. Disability marker is D0.

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#### **Democracy**

The Action has no direct impact on or linkages to democratic processes in Iran.

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#### **Conflict sensitivity, peace and resilience**



No conflict analysis has been conducted by HQ. By supporting trade and private sector development in Iran the EU contributes to fostering economic relations between Iran and the EU as well as Iran and its neighbours. Therefore, if successful and impactful, the Action could contribute to decreasing tensions in the region.

#### Disaster Risk Reduction

This Action does not contribute to disaster risk reduction.

### 3.4. Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Political	Stalemate or further degradation of the JCPoA	Medium	High	N/A
Political/operational	Authorities insists on supporting state-run enterprises.	High	Medium	Explain risks for the EU in supporting state-run enterprises (human rights, EU sanctions). Provide rationale why the EU support should target private sector.
Political/operational	Authorities interferes with the selection of the SMEs to whom the project provides assistance	High	Medium	Robust methodology for selecting SMEs and enterprises to whom the project provides assistance will be developed and applied. This is to minimize market distortion and mitigate risks related to human rights and EU sanctions.
Political/operational	Incompatibility of certain activities with existing EU sanctions concerning Iran	Medium	High	Redesign the project to ensure full compliance with EU sanctions.
Political/operational	Iranian authorities insist on technology transfers	High	Low	Explain European Commission's legal and policy limitations to transfer technology. Specifically, technology is in the hands of EU economic operators who independently decide in which geographies to engage. European Commission has neither remit nor interest to guide EU economic operators. EU technical assistance projects can procure equipment to public institutions to achieve project objectives.
Political/operational	Absence of EU Delegation – decreased ability to monitor	High	Medium	Regular project and system audits of the implementing partners. High insistence on deploying ROM missions. Regular missions conducted by HQ.
Political/operational	Absence of EU Delegation – decreased EU visibility	Medium	Medium	Specific EU visibility provisions included in the project activities and future contract. Regular missions conducted by HQ.
Political/operational	Absence of EU Delegation – decreased ability to engage Iranian counterparts	High	Medium	EU-Iran experts' meetings. Regular missions conducted by HQ.

Political/operational	US sanctions imposed during the project's implementation period.	Medium	High	Redesign the project if necessary, but within the confines of Council Regulation (EC) No 2271/96 (Blocking Statute), which prohibits compliance by persons under EU jurisdiction with certain US sanctions laws against Iran.
Operational	Mitigation measures to limit the spread of COVID-19 prevent certain activities and monitoring to be conducted	High	High	Create capacity to deliver project activities virtually. All activities will have the safety and security of the staff and beneficiaries as priority, health protocol to prevent from COVID-19 transmission will be systematically put in place, including design of remote alternatives to in-person activities where possible.
Operational	Interference in programme design, implementation, monitoring and evaluation	High	High	Continuous engagement and negotiations with authorities to ascertain implementing partners' independence and mandate; establishment of Government Liaison unit; establishment of M&E unit with capacity to monitor and evaluate.
Operational	Functions and content of the digital platform constitutes duplication of functions and contents of the European Enterprise Network	Low	Low	Iran is not a member of the European Enterprise Network but does hope to join. Although results related to SO2 could overlap with the functions and content of the European Enterprise Network it is very unlikely they would double them as these results would be specifically related on trade between the EU and Iran.
Operational	Green transition and gender aspect of the Action not implementable due to different priorities of the new Government of Iran	Medium	Low	Gender sector analysis

#### **Lessons Learnt:**

This action is a next phase of the ongoing EUR 8 million project implemented by International Trade Centre (MIDEAST/2018/403-302 'EU-Iran Trade Development'; duration: December 2018 – December 2023) and financed under the Decision 041-032 (2018 Special Measure in favour of Iran). The project has assisted the Ministry of Industry, Mine and Trade in developing its comprehensive National Export Strategy and is assisting with the implementation. Furthermore, the project has successfully delivered the Europe-Iran Business Forum, which was held virtually in March 2021. The event witnessed participation of more than 2000 SMEs and enterprises, 159 B2B meetings and 32 capacity-building sessions. The Action described in this Action Document is to a large degree based on the success of the Europe-Iran Business Forum and the lessons learnt gathered from the Iranian and European SMEs and enterprises.

### 3.5. The Intervention Logic

The underlying intervention logic for this action is designed to contribute to sustainable economic and social development in Iran. It comprises of three components. Component I is related to Specific Objective 1 and aims to set up an EU accredited laboratory for animals and animal products in Iran Veterinary Organisation. This process will start with needs assessment and proceed with delivering appropriate training and lab equipment. The training will relate to capacity to use the laboratory, EU accreditation itself as well as to capacity to design and implement Residue Monitoring Plans. Components II and III relate to Specific Objective 2 and 3 and focus on direct and indirect support to SMEs and enterprises. The ongoing project as well as the Europe-Iran Business Forum served as sources to identify needs of the Iranian and European SMEs and enterprises. As part of this Action, a robust methodology for selecting SMEs and enterprises will be developed. This will guide to which SMEs and enterprises direct support should be provided.

### 3.6. Logical Framework Matrix

At action level, the indicative logframe should have a maximum of 10 expected results (Impact/Outcome(s)/Output(s)). It 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.

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
<b>Impact</b>	To contribute to sustainable economic and social development in Iran	1. Export of goods and services as percentage of GDP (as %)	2020	tbd	1. Government reports	<i>Not applicable</i>
<b>Outcome 1</b>	Improved capacity of Iranian animal product exporters to comply with EU's import requirements	1.1 Increase in export of animal products to the EU	2020	tbd	1.1 Government reports	National and local government remain committed to developing EU-Iran economic relations.
<b>Outcome 2</b>	Enhanced capacity of Iranian SMEs and enterprises to trade and invest	2.1 Number of SMEs and enterprises exporting with the assistance of the EU	tbd	tbd	2.1 Project reports	National and local government remain committed to developing EU-Iran economic relations.

<b>Outcome 3</b>	Enhanced capacity of Iran's private sector/trade support institutions to serve their members	3.1 Number of SMEs and enterprises receiving assistance from ITPO, ICCIMA and ICC through functions developed with the assistance of the EU	tbd	tbd	3.1 M&E reports, project reports	National and local government remain committed to developing EU-Iran economic relations.
<b>Output 1 related to Outcome 1</b>	Needs of CVL (and other relevant bodies) to obtain EU accreditation identified	1.1.1 Number of needs assessments conducted	tbd	tbd	1.1.1 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.
<b>Output 2 related to Outcome 1</b>	CVL prepared for ISO 17025 accreditation	1.2.1 Number of capacity-building activities delivered 1.2.2 Total value (in EUR) of equipment provided	tbd	tbd	1.2.1 Project reports 1.2.2 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.
<b>Output 3 related to Outcome 1</b>	IVO (and other relevant bodies) able to design and implement annual Residue Monitoring Plans	1.3.1 Number of RMPs designed and implemented			1.3.1 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.

<b>Output 1 related to Outcome 2</b>	Established digital platform for Iranian and European SMEs and enterprises and access to trade information is improved	2.1.1 Number of SMEs and enterprises using the digital platform	tbd	tbd	2.1.1 Project reports and surveys	Factors outside project management's control as analysed in the risk assessment part of the action document.
<b>Output 2 related to Outcome 2</b>	Enhanced sector-specific knowledge and relations with counterparts	2.2.1 Number of SMEs and enterprises benefiting from capacity-building courses 2.2.2 Number of SMEs and enterprises benefiting from coaching	tbd	tbd	2.2.1 Project reports 2.2.2 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.
<b>Output 3 related to Outcome 2</b>	Established new market linkages	2.3.1 Number of Europe-Iran Business Forums delivered 2.3.2 Number of international events where Iranian representatives participated with the support of the EU	tbd	tbd	2.3.1 Project reports 2.3.2 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.
<b>Output 1 related to Outcome 3</b>	Strengthened capacity of private sector/trade support institutions to serve the private sector is strengthened	3.1.1 Number of enterprises using the 'Export Clinic' 3.1.2 Percentage of women lead SMEs and cooperatives benefiting from the new capacities of private sector/trade support institutions	tbd	tbd	3.1.1 Project reports 3.1.2 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.

<b>Output 2 related to Outcome 3</b>	Increased visibility of green transition, international labour rights and gender issues in private sector/trade support institutions	3.2.1 Number of activities related to green transition and gender	tbd	tbd	3.2.1 Project reports	Factors outside project management's control as analysed in the risk assessment part of the action document.
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## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing Agreement

In order to implement this action, it is not 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 adoption by the Commission of this Financing Decision.

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

#### 4.3.1. Indirect Management with an international organisation

This Action may be implemented in indirect management with World Trade Organisation's International Trade Centre (WTO-ITC). This implementation entails contributing to Iran's economic and social development. The envisaged entity has been selected using the following criteria: (i) experience in implementing trade-related projects in Iran; (ii) large institutional knowledge related to trade, investments and private sector development; and (iii) established political and technical relations with the main Iranian stakeholders.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria as above. If the entity is replaced, the decision to replace it needs to be justified.

### 4.4. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
<b>Implementation modalities</b> – cf. section 4.3.1 Indirect management with International Trade Centre	
<b>Overall Objective:</b> To contribute to economic and social development in Iran,	7 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	Will be covered by another Decision.
<b>Contingencies</b>	N/A
<b>Totals</b>	7 000 000

### 4.5. Organisational Set-up and Responsibilities

The basis for this action is the already existing structures of the current project (MIDEAST/2018/403-302). The six-month Project Steering Committee set up will ensure overall coherence and coordination of activities. It will comprise of representatives of relevant Ministries, Contracting Authority, ICCIMA, ICC and others. For Component II the implementing partner will need to establish relations with EuroChambers, Business Europe and relevant EU MS Chambers of Commerce. This will serve the purpose of accounting for needs of European SMEs and enterprises as well as to de-conflict with any similar activities carried out by these Chambers of Commerce.

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.

### 4.6. Pre-conditions

None.



## 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 (disaggregated minimum by sex), using as reference the logframe matrix, the ODDs and the GAP III indicators and the partner's strategy, policy or reform action plan list (for budget support).

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: Implementing partner and its partners are responsible for data collection and analysis as well as for relaying that data and findings to the Contracting Authority. The main implementer of the Action is responsible to establish proper and robust monitoring and evaluation of its partners.

### 5.2. Evaluation

Having regard to the importance of the Action, a final evaluation will be carried out for this Action or its components via independent consultants contracted by an implementing partner. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the objective of the Action is development of the Iranian private sector.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination<sup>18</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

The evaluation will analyse the gender impact and the respect of the RBA principles (i.e. participation, non-discrimination, accountability, transparency and respect to human rights).

### 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 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

<sup>18</sup> See best [practice of evaluation dissemination](#)

plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

## APPENDIX 1 REPORTING IN OPSYS

An Intervention<sup>19</sup> (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.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.

In the case of 'Group of actions' level, add references to the present action and other action concerning the same Primary Intervention.

In the case of 'Contract level', add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

<b>Option 1: Action level</b>		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
<b>Option 2: Group of actions level</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): N/A
<b>Option 3: Contract level</b>		
<input type="checkbox"/>	Single Contract 1	N/A
<input type="checkbox"/>	Single Contract 2	N/A
<input type="checkbox"/>	Single Contract 3	N/A
<input type="checkbox"/>	Group of contracts 1	N/A

<sup>19</sup> [ARES \(2021\)4204912](#) - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'action' and 'Intervention' where an 'action' is the content (or part of the content) of a Commission Financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).

