

TERMS OF REFERENCE

Related to a contract to provide a Sustainability Impact Assessment (SIA) in support of association agreement (AA) negotiations between the European Union and Mercosur

**Multiple Framework Contract TRADE2014/01/01; request for services
REVISED-TRADE2016/C3/C12**

1. BACKGROUND INFORMATION

This request for services is sent to you in the context of the Multiple Framework Contract with re-opening of competition for the provision of evaluation services to the European Commission in the field of Trade (TRADE2014/01/01). For further details about DG Trade and its activities please refer to number 1 (background information) of the Terms of Reference for the mentioned procedure¹.

2. CONTEXT OF THE PROJECT

Following the exchange of market access offers on 11 May 2016 the negotiation process for an EU-Mercosur Association Agreement has resumed. A negotiation round took place on 10-14 October 2016.

As is typically the case for trade negotiations, DG TRADE conducted a Trade Sustainability Impact Assessment (SIA) in 2009. However, given that the economic context has since changed, this SIA may no longer provide an up-to-date picture of the potential impact of an EU-Mercosur Association Agreement. In addition, since the 2009 SIA was concluded, Commission policy and practice on Impact Assessments and SIAs have moved on considerably, e.g. as regards the incorporation of human rights issues.

Accordingly, DG TRADE will conduct a new SIA to assess the economic, social, environmental, and human rights impact of an Association Agreement, both in the EU and in Mercosur. It should also propose measures to maximise the expected benefits of the agreement and to minimise potential negative impacts.

Mercosur was established in 1991 by Argentina, Brazil, Paraguay and Uruguay. Venezuela became a member in July 2012. In December 2012, the Protocol of Accession of Bolivia to Mercosur was signed. This Protocol (which was revised in 2015) is pending ratification by all Parliaments in Mercosur countries.

¹ Terms of Reference for TRADE2014/01/01: http://trade.ec.europa.eu/doclib/docs/2014/november/tradoc_152920.pdf

In 1995, the EU and Mercosur signed an Interregional Framework Cooperation Agreement, which entered into force in 1999. The EU has bilateral Partnership and Cooperation agreements with Argentina, Brazil, Paraguay and Uruguay. On 1 January 2014, Mercosur countries, with the exception of Paraguay, ceased to benefit from the Generalised Scheme of Preferences (GSP), due to their classification as upper middle-income countries.

In 2000, the EU and Mercosur opened negotiations for an Association Agreement including three pillars: political dialogue, cooperation and trade. Negotiations were suspended in 2004, but re-launched at the EU-Mercosur summit in Madrid on 17 May 2010. Nine negotiation rounds (the last one from 22 to 26 October 2012) have taken place since then. In January 2013, the two sides agreed that in order for the process to move forward, there would have to be an exchange of market access offers, and this was reaffirmed at the ministerial meeting held in Brussels in June 2015. This exchange, covering goods, services and establishment, and government procurement, took place on 11 May 2016. It was the first exchange of offers since 2004. A negotiating round took place on 10-14 October 2016, the first since 2012.

Only the four founder Members (Mercosur4) participate in the negotiation of the Trade part of the Agreement with the EU (Venezuela is currently an observer in the negotiation). The trade pillar covers market access and improved rules for industrial and agricultural goods, services and establishment, and government procurement; as well as rules on intellectual property, competition, customs and trade facilitation, technical barriers to trade (TBTs), sanitary and phytosanitary issues (SPS), rules of origin and trade defence instruments; and provisions on trade and sustainable development. The Commission aims at including some new provisions on SMEs, State-Owned Enterprises, and energy and raw materials (currently under discussion with Mercosur). Negotiations do not cover investment protection disciplines.

2.1. The EU's trade relationship with Mercosur

The Mercosur4 countries together represent a market of 250 million consumers and the 6th largest economy in the world, with a combined GDP of €2 trillion. Their economies grew considerably over the last decade. While growth has slowed in the past three years, it remains an important market with a large middle class.

Mercosur remains a highly protected market with high tariff (often 20-35% on key products) and non-tariff barriers to imports from the EU. Mercosur does not currently have a Free Trade Agreement with any of its main trading partners. Its only Free Trade Agreements outside the LAIA (Latin American Integration Association) and the Global System of Trade Preferences among Developing Countries (GSTP) are with Israel (2007), Egypt (2010), the Palestinian Authority (2011) and Lebanon (2014).

In 2015, Mercosur was the 10th largest export market for EU goods (and Brazil alone the EU's 10th largest trade partner and the 14th largest export market). The EU's goods exports to the region amounted to €46.2 billion in 2015. The EU mostly exports manufactured products to

Mercosur and notably machinery (29%), transport equipment (17%) and chemicals and pharmaceuticals (24%).

In 2014, Mercosur was the 8th largest export market for EU services (Brazil alone the 9th largest) with a value of €20.3 billion. In 2014, Brazil had the 3rd largest extra-EU EU FDI stocks. EU FDI stocks in Mercosur have steadily increased over the past years, reaching €387 billion in 2014 compared to €154 billion in 2008.

The EU was the largest export market for Mercosur's goods in 2015. EU goods imports from Mercosur amounted to €41.8 billion. Mercosur's biggest exports to the EU were agricultural products – notably soya (22%), coffee (6%), fruit and juices (6%) and meats and other animal products (6%). Other significant Mercosur exports are mineral products (14%), wood and paper products (8%) and machinery (5%). EU services imports from Mercosur were €10.0 billion in 2014. Mercosur FDI stocks in the EU have increased considerably in recent years, to reach €120.6 billion in 2014, up from €58.6 billion in 2008.

2.3. Sustainability Impact Assessment

A Sustainability Impact Assessment (SIA) is a trade-specific tool developed for supporting major trade negotiations conducted under the aegis of the EU Commissioner for Trade. SIAs are a key tool for the conduct of sound, evidence-based and transparent trade negotiations. They were first developed by the European Commission's Directorate-General for Trade (DG Trade) in 1999 for the World Trade Organization Doha Development Agenda (DDA) negotiations. In mid-2016, 24 SIAs had been conducted in support of all major bilateral and multilateral EU trade negotiations and four were ongoing².

SIAs are independent *ex ante* assessments carried out by external consultants during major trade negotiations. They feed into and steer the negotiations, assessing the changes that are likely to be caused by the trade agreement, helping to identify possible trade-offs, and contribute to ensuring that the related policy choices are optimised.

SIAs consist of two equally important and complementary components:

- (i) a robust analysis of the potential economic, social, human rights and environmental impacts that the trade agreement under negotiation could have, in the EU, in the partner country(ies) and in other relevant countries; and
- (ii) a continuous and wide-ranging consultation process which ensures a high degree of transparency and the engagement of all relevant stakeholders in the conduct of the SIA inside and outside the EU.

SIAs are:

² Please refer to the DG Trade section on the Europa website for more information on conducted and ongoing SIAs: <http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/>

- Integrated. SIAs are based on a comprehensive approach which looks at both benefits and costs; and covers economic, social, human rights and environmental considerations all in a single document.
- Independent. SIAs are carried out by external consultants in a neutral and unbiased manner, under strict rules on the absence of conflicts of interest.
- Evidence-based. SIAs should be based on the best available research, information and data presented in a transparent manner.
- Transparent. SIAs contribute to the transparency of the analysis and of the ongoing trade negotiations by providing stakeholders with comprehensive information on the possible impacts of the agreement.
- Participatory. SIAs work as a platform for systematic dialogue between stakeholders and trade negotiators, through in-depth consultation in which all stakeholders are given an opportunity to participate.
- Proportionate. The scope and the depth of the SIA should be calibrated to the importance and the type of trade measures being negotiated, as well as to the magnitude of the expected impacts.

Once the SIA is finished, Commission services set out their views on the consultants' findings and recommendations by means of a position paper. The position paper explains how the SIA has and will contribute to the negotiations; it highlights the Commission services' views on the impacts identified in the SIA and on the measures proposed by the consultants and explains how the SIA findings have or will be used.

Please refer to the DG Trade section on the Europa website for more information on conducted and ongoing SIAs:

<http://ec.europa.eu/trade/analysis/sustainability-impact-assessments/assessments/>

Relevant guidance for carrying out this SIA includes:

- The Handbook on SIA, 2nd edition³;
- The Better Regulation Package, notably the guidelines⁴ and the accompanying "toolbox"⁵;
- The Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives⁶.

³ SIA Handbook 2nd edition: http://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154464.PDF

⁴ Better Regulation Guidelines: http://ec.europa.eu/smart-regulation/guidelines/toc_guide_en.htm

⁵ Better Regulation "Toolbox": http://ec.europa.eu/smart-regulation/guidelines/toc_tool_en.htm

3. OBJECTIVES OF THE PROJECT

The SIA in support of Association Agreement (AA) negotiations between the European Union and Mercosur should be carried out during the negotiations. It shall be completed before or in any case not later than the end of the negotiations so that its results can inform the negotiations and decision-making process. In this light, the SIA shall be completed within one year from signature of the specific contract.

The SIA shall assess how the trade and trade-related provisions under negotiation could affect economic, social, human rights and environmental issues in the EU and in Mercosur, as well as in other relevant countries notably developing and least developed countries (LDCs). Furthermore, it shall make recommendations to maximise the expected benefits of the agreement and prevent or minimise potential negative impacts.

This assessment is necessary to enable the EU to pursue an approach which brings the greatest overall welfare gains, thereby helping the EU meet its objectives of creating economic growth, enhancing social inclusion and promoting sustainable development throughout the world. Assessing the possible economic, social, human rights and environmental impacts of the proposed free trade agreements also contributes to the design of the right accompanying policies.

4. WORK TO BE CARRIED OUT / SERVICES TO BE RENDERED

The SIA shall be carried out in accordance with the following indications.

4.1. Overall analysis of the sustainability impacts arising from the negotiations of a free trade agreement between the European Union and the partner country

The purpose of the SIA is to provide for a deep assessment of the potential economic, social, human rights and environmental effects of the anticipated trade agreement between the EU and the relevant partner country. The analysis in the SIA shall cover impacts in the EU and the respective partner country and third countries where relevant, particularly developing and least developed countries (LDCs), as well as Turkey which is linked to the EU by a customs union agreement.

A number of key sustainability issues to be analysed in the SIA are cross-cutting and should therefore be mainstreamed in the analysis. Nevertheless, the analysis of the identified impacts for these key issues should be summarised in a specific subsection of the report. Those issues are:

⁶ Human rights guidelines for trade: http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153591.pdf

Least developed countries (LDCs)

In line with the EU's *Trade for all* communication, the SIA shall analyse in-depth the impact which the agreements may have on LDCs, and shall propose flanking measures if necessary to ensure the agreements contribute to sustainable growth and job creation and minimise any negative impact on LDCs. The analysis of impacts on LDCs shall be streamlined both in the overall analysis as well as in the sectoral analysis.

Small and Medium Enterprises (SMEs)

Due to their size and limited resources, SMEs are arguably more affected by regulatory costs than their larger competitors. The SIA shall assess the impact of the agreements on SMEs (the 'SME test'), reflecting the 'think small first' principle in each analytical step to the extent data allows.

Consumer impacts

The Contractor shall assess the likely effect of the agreement on consumers' welfare, paying particular attention to the likely impacts on consumer prices, quality, availability, choice and safety of goods and services, consumer identification, knowledge and trust. In doing so, the Contractor shall make use of the relevant Commission guidance⁷. The analysis shall be conducted by providing, where relevant, a breakdown by broad product/service categories.

(1) Baseline

The SIA will include a baseline scenario (no agreement) outlining the likely economic, social, human rights and environmental developments in the absence of an agreement between the EU and the partner country. The baseline scenario shall include the implementation of all FTAs of both the EU and Mercosur for which negotiations have been finalised and which account for 1% or more of respective partners' trade. The same holds for other trade liberalising measures such as unilateral preference schemes, e.g. the EU GSP⁸. The projection horizon should be 2032.

Furthermore, the baseline shall reflect the most recent changes in the real world that could affect the results of the simulations – e.g. the price of key commodities such as soya, coffee and iron ore.

Against this baseline, the SIA will measure and compare the likely impacts of the anticipated trade measures as per the EU's negotiating directives ("mandate") and

⁷ 'Better regulation' tool #28: impacts on consumers (http://ec.europa.eu/smart-regulation/guidelines/tool_28_en.htm)

⁸ All Mercosur countries, with the exception of Paraguay, no longer benefit from the GSP scheme, as of 1 January 2014, due to their classification as high middle-income countries. However, they remain GSP eligible countries.

achievements in other similar negotiations. The concrete specification of the tariff liberalisation and non-tariff barrier reduction shall be defined by the Contractor in close cooperation with the Commission to achieve the best approximation with the most likely outcome of the negotiations.

(2) Quantitative Modelling

The impact of removing tariff and non-tariff barriers to trade between the EU and the partner country shall be evaluated using computable general equilibrium techniques. The modelling approach proposed should be justified in the bid (as well as in the reports) which should include a summary of pros and cons of alternative approaches. When carrying out the work, robustness checks of the results will be required and the results shall be detailed by sector and region.⁹ Any database used for the analysis should be checked, updated and agreed with the Commission as to ensure that up-to-date and consistent figures feed into the model.

The economic analysis shall also contain a review of existing *ex-ante* studies on EU trade relations with the partner countries, or comparable bilateral relations.

Based on existing sources, the Contractor shall identify, describe and quantify the tariff and non-tariff obstacles affecting trade in goods between the EU and the partner country, and market access, national treatment and regulatory limitations for services and investment/establishment. This shall cover in particular:

(a) horizontal cross-sector measures, including behind-the-border issues stemming from technical regulations (including mandatory standards), sanitary and phytosanitary measures, government procurement policy, intellectual property rights, including protection of geographical indications, investment barriers, competition policy, special conditions or privileges given to or by state-owned enterprises, local content requirements, customs and internal regulations concerning registration and import licensing, export restrictions, services related to mutual recognition of qualifications and electronic commerce; and

(b) any additional sector-specific non-tariff barriers for all relevant sectors.

This shall cover barriers established by legislation proper as well as those deriving from its practical implementation or non-implementation. It shall also identify the main practices that affect competition in the EU and the partner country's markets. Non-tariff barriers identification shall be undertaken in close consultation with the relevant Commission services.

⁹ The sectoral and regional disaggregation, as well as scenario assumptions shall be decided in consultation with the European Commission at the kick-off meeting.

For agricultural goods, the quantification of non-tariff barriers will be replaced by a qualitative assessment. The selection of agricultural sectors will be discussed and agreed by the Commission.

The tenderer shall use all the relevant available databases on inventories of non-tariff measures in goods (e.g. WB, TRAINS, MADB) and services (e.g. OECD STRI, World Bank STRI, MADB). Information sources to be used and their reliability shall be described and discussed.

The assessment of the magnitude of the trade cost reductions both in services and goods will have to be discussed with and approved with the Commission.

(3) Qualitative analysis

The quantification of the impact of removing tariff and non-tariff barriers to trade in goods and services between the EU and Mercosur, shall be completed and complemented by an in-depth qualitative analysis of the costs and benefits of removing barriers, based on input from sectoral experts on the ground, existing studies, and business surveys on doing business between the EU and Mercosur countries.

Qualitative analysis will be particularly important whenever the modelling is constrained by data limitations, i.e. in particular where it comes to NTBs in the agricultural sector, barriers to services and FDI, market access barriers for public procurement, and IPR and geographical indications. It should be rigorous, thorough and rely on available evidence and on illustrative examples such as case studies. In its offer, the Contractor should make proposals for case studies to be included in the SIA.

(4) Overall and additional economic analysis

The SIA shall assess the wider economic impact with quantification of possible effects of the AA on output, trade flows, prices, fiscal revenues (including revenues foregone), income and welfare. The impact of the AA shall be presented as changes compared to the baseline. Attention shall be paid to expected impacts on competitiveness of the EU economy and EU SMEs.

The Contractor shall quantitatively evaluate, to the extent possible and using the most appropriate methodology, the potential for increased investment and international procurement between the EU and Mercosur. This will include a thorough description of bilateral investment flows and stocks as well as flows in public procurement, their development over time and a comparison to overall volume and other bilateral relationships where possible. The possible methodology for an ex-ante analysis should

be well-established in recent policy-relevant research and it will have to be presented to and approved by the Commission.

The Contractor shall further evaluate the capacity of the customs authorities of the relevant partner countries to properly apply, implement and administer the preferential rules of origin applied in trade in goods with the EU. Such assessment may be based on the existing experiences of the partner countries in applying the EU's GSP rules of origin including the system of establishing the proofs of origin, subsequent verification of origin and administrative cooperation with the EU Member States' customs authorities, in consultation with the relevant Commission services.

The Contractor shall also assess to what extent the AA could have an impact on the informal economy in the relevant partner country. Although data on the informal economy may not be sufficiently reliable to be used in a quantitative analysis, a best attempt should be made at estimating the effect that the trade agreement may have on it in both the EU and in Mercosur. Efforts should also be made to determine the impact that the AA under negotiation may have on the fight against corruption and promotion of good governance, particularly in sensitive areas (e.g. public procurement). Consideration could also be given to assessing the potential impact of the trade agreement under negotiation on possible tax avoidance strategies.

(5) Social analysis

The Contractor shall carry out a detailed analysis of different types of potential social impacts, both direct and indirect, of the future agreement. In addition, as part of the overall assessment of social impacts, the Contractor shall review potential impacts in the area of social policies such as education and public health.

Specifically, the analysis shall assess the potential impacts of trade opening, and hence the potentially increased trade flows between the EU and the relevant partner country on employment and decent work. The analysis shall also assess the potential impacts on employment (overall job creation or losses, job creation or losses for specific sectors, professions or skill levels), on working conditions (wage level, work standards, health and safety at work, social dialogue) as well as distributional impacts (poverty income inequalities, disposable income, vulnerable consumer groups), both overall and in the specific sectors mentioned in section 4.2.2. below, including through potentially induced restructuring of certain sectors.

Furthermore, the interaction between the envisaged agreement and the effective implementation of the international Core Labour Standards (CLS) and fundamental Conventions of the International Labour Organisation (ILO), as well as the realisation of the other strategic objectives of the ILO Decent Work Agenda (job creation, social protection and social dialogue) shall be investigated. Other conventions from the ILO and other UN bodies should also be taken into consideration, where relevant. The Contractor shall also assess how the potential trade agreement could contribute to the uptake of internationally agreed principles and guidelines on corporate social

responsibility (CSR)/responsible business conduct (RBC), such as the Organisation for Economic Co-operation and Development (OECD) *Guidelines for Multinational Enterprises*¹⁰, the UN's *Global Compact*¹¹ and its *Guiding Principles on Business and Human Rights*¹², as well as the ILO *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*¹³.

Indicators and other tools for measuring and quantifying social development (including reference to decent work indicators, ILO sources and information on labour standards) shall be suggested, where possible, and explained. The quantitative analysis shall be complemented by case studies whenever relevant and by a detailed qualitative analysis, and shall include the impact on women and vulnerable groups (e.g. low income, children, people with disabilities, ethnic minorities, indigenous peoples, unskilled workers and older or less educated consumers).

The analysis shall also rely on thorough stakeholder consultations, including consultations of employers' and workers' organisations (social partners) – see 4.3. The results will be summarised in a specific section of the executive summary.

(6) Environmental analysis

The Contractor shall carry out a detailed analysis of potential environmental impacts, both direct and indirect, of the future agreement.

The Contractor shall, in particular, take into account the potential interaction between the future AA and relevant multilateral environmental agreements (MEAs), as well as assess the impacts on the environmental areas covered by the MEAs. The Contractor shall identify and analyse recent developments in environment, climate and energy policies in the relevant partner countries and in the EU as part of the overall analysis.

The Contractor shall, where appropriate, break down the impact of the agreement so as to identify scale, structural, technology and product effects. Scale effects refer to environmental impacts resulting from trade-induced economic growth (e.g. increased resources for environmental protection, impacts on biodiversity); structural effects refer to changes in production or consumption patterns at the microeconomic level (e.g. changes in cost of raw materials or cost of labour); technology effects are those impacting the processes or production methods used in product supply (e.g. potential for facilitated access to environmental technologies); product effects refer to the changes in the use of specific goods and services following liberalisation.

¹⁰ The OECD guidelines for multinational enterprises: <http://www.oecd.org/corporate/mne>. Argentina and Brazil have already subscribed to these guidelines.

¹¹ The United Nations global compact: www.unglobalcompact.org

¹² The United Nations guiding principles on business and human rights: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

¹³ The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy: http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf

The analysis shall cover at least the emissions of the most energy-intensive sectors and of primary energy producing sectors. The resulting potential domestic environmental impacts and global climate change impacts shall be expressed in units of welfare (if feasible) as well as in million tonnes of GHG emissions (CO2 equivalent).

The analysis shall also include, to the extent feasible, possible impacts of the future agreement on air quality, greenhouse gas emissions, water quality and resources, land use, soil quality, waste and waste management, biodiversity, ecosystem services and protected areas. In this context, the Contractor shall pay particular attention to issues such as deforestation linked to agricultural commodities and the need to preserve biodiversity and ecosystems. The SIA shall also identify how the agreement under negotiation could contribute to greening the economy and to resource efficiency objectives, notably through the promotion of sustainable production and consumption.

Indicators for assessing these impacts shall be suggested and explained in their value for the overall environmental analysis.

The analysis shall also rely on thorough stakeholder consultations, including consultations of environmental interest groups (see 4.3). The results will be summarised in a specific section of the executive summary.

(7) *Human rights*

The Contractor shall analyse the potential impacts of the proposed agreement on human rights, as set out in the *Charter of Fundamental Rights of the European Union* and in the core UN treaties and conventions¹⁴, and the European Convention on Human Rights and other regional human rights conventions as well as, where relevant, customary international law. To that end, the Contractor shall use the guidance on the analysis of human rights impacts in impact assessments as developed by Commission services, in particular the *Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives*¹⁵ as well as other relevant Commission guidance.¹⁶ The Contractor shall in particular:

- identify the specific human rights most likely to be affected by particular measures included in the agreement under negotiation;
- analyse the extent to which the particular measures foreseen in the agreement may enhance or impair the enjoyment of the relevant rights and/or may

¹⁴ The list can be found in the SIA Handbook 2nd edition:

http://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154464.PDF

¹⁵ Human rights guidelines for trade: http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153591.pdf

¹⁶ 'Better regulation' tool #24: fundamental rights & human rights (http://ec.europa.eu/smart-regulation/guidelines/tool_24_en.htm)

strengthen or weaken the ability of the EU and partner countries to fulfil or progressively realise their human rights obligations¹⁷;

- identify individuals or specific groups of people or those living in a particular territory that are likely to be specifically affected by those impacts.

In doing so, attention shall be given to the pre-existing legal situation in the EU and country(ies) concerned (e.g. in terms of the human rights arising either from the human rights treaties by which the EU and the partner countries have consented to be bound — taking into account any reservations expressed — or from constitutional or other domestic law); pre-existing conditions of stress or vulnerability shall be highlighted, including in relation to particular vulnerable groups and those living in a particular territory.

Particular attention shall also be paid to women's rights and the effect that the agreement under negotiation could have on gender equality¹⁸.

Existing human rights dialogue mechanisms led by the EEAS (where human rights issues are discussed with the partner country(ies)) and issues discussed in the context of the Partnership and Cooperation Agreements with the relevant trade partners shall also be taken into account, and the consultants shall consider how these mechanisms could be used to contribute to the analysis.

The analysis shall combine both quantitative and qualitative approaches. Figures generated by the economic modelling shall be used, as well as qualitative analyses and, when relevant, case studies. To the extent possible, available quantitative information on affected individuals and/or groups of people or actors in relevant sectors shall be presented.

In its work, the Contractor can use as sources the reports and recommendations of the European Union Agency for Fundamental Rights and of the Council of Europe; or refer to international work in this area, such as the output of UN human rights treaty bodies, the universal periodic review (UPR), or the work of the special rapporteurs on the various countries and/or themes.

Stakeholders' consultations are a particularly important source of information. They shall ensure inclusive participation with a view to contributing to the identification of potential impacts as well as of individuals or groups of people likely to be affected. Consultants are given a wide mandate to conduct consultations with all relevant stakeholders including women and vulnerable groups (e.g. low income, children,

¹⁷ The Contractor may refer in particular to *Human Rights Indicators: A Guide to Measurement and Implementation* (OCHCR, 2012)

¹⁸ DG Employment, Social Affairs and Inclusion's manual for gender mainstreaming can provide guidance in this regard: <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=70&type=2&furtherPubs=yes>

people with disabilities, ethnic minorities, indigenous peoples and unskilled workers) in the EU and the partner countries.

4.2. Sectoral SIA for the trade pillar of the Association Agreement between the European Union and Mercosur: detailed analysis of specific sectors

Based inter alia on the overall assessment mentioned in section 4.1, the Contractor will carry out a detailed analysis on a list of sectors to be defined in coordination with the Commission (as explained in more detail below) at the latest by the submission of the draft inception report.

The analysis of the impact on the most significant sectors (a minimum of eight to ten sectors) shall include an overview of the current state of the industry in both partner regions, an identification of challenges and untapped future opportunities as well as an investigation of the likely impact of the agreement under negotiation.

(1) General Approach

The in-depth sectoral analyses shall identify and highlight specific subsectors, activities, products, vulnerable social groups and geographical areas that are most likely to be affected, either positively or negatively, by the outcome of the negotiations. Particular attention shall be given to a detailed analysis of the likely impact on the functioning of the market, competitiveness, job creation or losses, SMEs and consumers. Other potential economic, social, human rights and environmental impacts shall also be analysed in depth at sectoral level. Sectoral analyses may also contribute to analysing the impact that the agreement under negotiation could have on corruption.

Particular attention shall be given to non-tariff measures and behind the border measures affecting trade and investment, as well as the impact of the agreement on SMEs. Regarding the social effects, attention will be paid to employment, wage and decent work effects of trade liberalisation. The environmental impact of an increase of trade-related transportation services shall be examined. Potential impacts on third countries, in particular Least Developed Countries shall also be considered. This analysis shall also identify specific sectors, products, vulnerable social groups and geographical areas that are most likely to be affected, either positively or negatively, by the outcome of the negotiation, without prejudice to the minimum eight to ten sectors which may be selected for detailed analysis.

The sectoral work will include a quantitative analysis as well as qualitative considerations on the potential effects of the agreement in the sectors concerned in the EU and the partner countries. The Contractor can, after agreement by the Commission, use additional quantitative tools to complement available results, but only if the existing results prove to be inadequate or insufficient to perform the deeper analysis that is foreseen in this section. In that case the use of micro data could be considered

as well as the other available research. The study shall examine the impact on sectoral competitiveness by reviewing other available sectoral studies.

For all cross-cutting issues such as public procurement, establishment/investment, trade facilitation, etc., a detailed characterisation is required of the main sectors involved (main type of goods and services traded or affected in these transversal sectors).

(2) Impacts on SMEs

The Contractor shall also identify the sectors where EU SMEs could be impacted (positively or negatively) by the agreement. This could cover inter-alia the potential benefits for EU SME in establishing operations in the relevant partner countries, and an account of potential opportunities and threats for EU SME that are part of international supply chains. The "SME Test" of the European Commission Better Regulation "Toolbox" shall be referred to.¹⁹

SMEs are often disproportionately affected by non-trade barriers. It would be useful to assess if the liberalisation of trade would be beneficial to SMEs or big companies or to both these groups. In addition, it would be useful to identify in which sectors SMEs would gain competitive advantages thanks to the agreement. In this framework, it may also be relevant to examine the possible impact of the enhancement of the competition policy framework in terms of competitiveness of SMEs and more generally in terms of economic and consumer benefits in a number of sectors.

(3) Preliminary sector selection

The decision on the final selection of sectors shall be taken in agreement with the European Commission. Sectors that will be subject to further detailed analysis in the SIA shall be selected according to several criteria, such as their weight (e.g. GDP, share of employment, share of household consumption) in the EU, in partner country(ies) or developing countries, in particular LDCs²⁰; the particularly significant (positive or negative) expected economic, social, human rights or environmental impacts of the agreement in these sectors; their integration in global value chains; and concerns, opportunities and priorities raised by stakeholders.

Sectors that may deserve specific attention due to a possible larger economic, social, human rights or environmental impact of an agreement include: **agricultural products**, with particular attention given to beef, poultry, sugar, dairy and beverages; **Industrial products**, with particular attention given to cars and car parts, engineering, goods (machinery and electric and electronic goods), chemicals and pharmaceuticals and textiles; and **services**, with particular attention given to construction, business and professional services, financial services and transport services.

¹⁹ Better Regulation Tool #19: The "SME Test" (http://ec.europa.eu/smart-regulation/guidelines/tool_19_en.htm)

²⁰ The in-depth analysis of the selected sectors should then consider the impact in the LDCs concerned

The decision on the final sector selection shall be taken in agreement with the Commission (SIA Inter-service Steering Group (ISG)).

4.3 Consultation process

The Contractor is requested to complement his/her quantitative and qualitative analysis with representative inputs from stakeholders. While areas requiring a thorough consultation of stakeholders have been highlighted above, this requirement applies to the entire SIA.

Consultations are key to ensuring the transparency, quality, credibility and legitimacy of the SIA by providing a dynamic and robust framework for interaction and dialogue with all relevant stakeholders.

By directly involving those affected or interested in the trade and investment measures under negotiation, the SIA consultation provides additional and constructive perspectives on the potential sustainability consequences of the envisaged agreement.

The main objectives of the consultation process are:

- to actively engage with all interested parties in order to reflect their experience, priorities and concerns;
- to contribute to the transparency of the SIA analysis;
- to help to identify priority areas and key issues relating to the possible economic, social, environmental and human rights impacts in the negotiations.

The Contractor is responsible for establishing a consultation plan which proposes the way the SIA consultation will be carried out. In particular, the consultation plan shall identify key stakeholders and affected people to be consulted in the EU and the partner countries, map the nature of civil society in the partner countries, identify any risks (e.g. non-participation by major stakeholders, lack of representation, lack of balance between the interests represented or constraints on freedom of association) and how these risks will be addressed to ensure constructive dialogue and useful inputs from stakeholders. Consultation means and activities foreseen shall also be described in detail.

Stakeholders to be consulted include non-governmental organisations, businesses, social partners and academia. The Contractor shall seek to involve experts from the EU and the partner countries as well as from appropriate international organisations such as the ILO.

The Contractor shall identify target groups that run the risk of being excluded. There might be differences between stakeholder groups regarding their access to consultations or in the availability of resources they can dedicate for participation in

consultations. The Contractor shall make specific efforts to ensure that all relevant stakeholders are both aware of and able to contribute to the consultation.

The Contractor shall ensure a balanced coverage of all relevant interests among identified stakeholders and clearly explain how and why these stakeholders have been invited to participate in the process.

The Contractor shall also consult with the European Commission services and the European Economic and Social Committee to identify key stakeholders.

The Commission will make available to the Contractor the results of an industry consultation concluded in October 2016, to the extent that data confidentiality permits.

The consultation plan shall be presented to and discussed at the meetings of the Civil Society Dialogue²¹ as well as at the meetings with the ISG.

Consultation is not a one-off event but a dynamic and systematic process that includes a wide range of complementary activities. These include interviews, meetings and surveys of stakeholders, as well as dissemination of the findings at all the main stages of the analysis, publication of the draft reports for comments and their discussion in public meetings.

In particular, the activities required as part of the consultation process are described in more detail below.

4.3.1 Dedicated website and electronic communications

To ensure dynamic and continuous interactions with civil society and all other relevant stakeholders throughout the conduct of the SIA, a dedicated SIA website as well as other digital channels shall be set-up.

SIA dedicated website

The dedicated website provides an essential channel for publicising the SIA, communicating with stakeholders and disseminating its findings. The website shall be designed to facilitate regular interactions with stakeholders and serve as a discussion forum to further stimulate the involvement of stakeholders on the basis of SIA information made available online.

To this end, the SIA website shall include a specific feedback mechanism, a home page with an easily accessible summary on the stage of the SIA process, a search function and all appropriate SIA-related information. To ensure its continued

²¹ See Section 4.4.3.

relevance, the SIA website shall be updated at least every two weeks since creation until completion of the SIA.

In particular, all reports – inception, interim and final – in their draft version as well as in their final forms shall be made publicly available on the website. Other relevant outputs, including regular updates on the SIA process and findings and documentation sources are also published on the SIA website.

All meetings with civil society shall be appropriately advertised on the SIA website and through other channels such as SIA newsletters issued by the Contractor, Twitter accounts, EU trade newsletters²² (EUTN) etc. The dates, venue and other relevant information shall be clearly communicated well in advance of the events.

Finally, to ensure that the SIA consultation is open and transparent, the Contractor shall publish all the inputs received from the stakeholders together with the names of their authors in a section of the website specifically created to this end. Should the contributor wish to preserve its identity, the inputs will be published by the Contractor without revealing the identity of the author.

The SIA dedicated website shall be created no later than the date of publication of the draft inception report, and shall remain active for at least two years after the date of approval of the final report.

Other electronic tools

The Contractor is also expected to contact relevant stakeholders by various means such as email, electronic newsletter, Twitter, etc. to inform them regularly and proactively about the SIA process including consultation activities and the main findings. In particular, at the beginning of the SIA consultation process and at each of the main stages of the analysis, the Contractor shall contact identified stakeholders informing them about the SIA study and inviting them to provide contributions via dedicated channels.

Other complementary communication tools can be developed where relevant such as a dedicated email address for feedback, regular mails or social media coverage.

4.3.2 Interviews, meetings, and questionnaires

As part of the consultation process interviews, meetings, and questionnaires shall be conducted.

²² The Contractor will provide the content for the EUTN which is managed by the Commission. For further detail on the EUTN please refer to the Trade on Europa website: <http://trade.ec.europa.eu/eutn/>

Interviews and meetings

The Contractor shall undertake interviews and one-to-one meetings. These interviews and meetings shall encourage detailed discussions on the ongoing negotiations and their potential sustainability impacts. The Contractor will be expected to conduct a number of interviews or meetings both in the EU and in the partner countries, ensuring a balanced representation of stakeholder interests. The Contractor is invited to indicate how many interviews and/or meetings it intends to conduct, particularly those targeting vulnerable stakeholder groups in the partner countries.

The Commission acknowledges that conducting interviews and meetings on the ground, particularly in the partner countries, can constitute a costly component of the project. As such, the Contractor is requested to specify in its offer (see Annex 2 of these terms of reference) the estimated travel and subsistence expenses inherent to its stakeholder consultation plan. The Commission shall reimburse these expenses separately up to the limit indicated by the Contractor in its offer, it being clear that the total amount to be paid by the Commission shall not exceed the total budget foreseen for the contract (i.e. the amount indicated in no. 7 of these terms of reference). The reimbursement will be subject to the conditions set out in the Framework Contract and to the flat-rate ceilings set out in Annex III of the Framework Contract.

The Contractor shall also identify existing platforms for dialogue that it could use to enhance communication with stakeholders. In this respect, the Contractor shall consult with the SIA inter-service steering group, the European Economic and Social Committee and, via the Commission, the Social Dialogue Committees²³ to determine whether existing conferences or meetings that they should attend are taking place.

Questionnaires

The Contractor shall also develop at least one questionnaire open to all stakeholders, plus two specific ones (see below). The Contractor shall make sure that the questionnaires can be understood by the layman and are appropriately disseminated particularly amongst all relevant stakeholders. The questionnaires shall be made available in English, Spanish and Portuguese. In addition to the questionnaire open to all stakeholders, questionnaires specifically directed to SMEs and to consumers shall also be developed.

4.3.3. Civil Society Dialogue meetings

The Contractor shall present on-going work to interested stakeholders, giving them the opportunity to provide direct input.

²³ The EU Social Dialogue: <http://ec.europa.eu/social/main.jsp?catId=480&langId=en>

In particular, three meetings for the SIA shall take place in Brussels with civil society in the framework of DG Trade's Civil Society Dialogue (CSD)²⁴. These are regular meetings between civil society and the Commission to discuss aspects of the EU's trade policy. The Contractor is expected to participate in the meetings specifically on the SIA, to present the SIA methodological approach and findings as well as to hold an open discussion with interested stakeholders. The meetings shall be organised to discuss the draft reports (inception, interim and final).

The draft reports shall be made public within a reasonable time frame ahead of the CSD meetings and shall be finalised taking into account contributions provided during the CSD meeting as well as through other consultation channels (such as the website).

4.3.4 Workshop in the partner countries

A full one-day workshop shall be organised in São Paulo, to allow a genuine and comprehensive consultation of local stakeholders from all Mercosur countries, in particular civil society, businesses, national and regional administrations, social partners including trade unions, and international organisations present on the ground. The Contractor shall specify how it will ensure the participation of a representative group of participants from the region.

The Contractor shall be in charge of planning and organising the workshop, including the timing and the venue²⁵, the participants and its detailed content. The EU Delegation to the partner country will be involved as appropriate and the Commission must approve the final programme and list of participants for the workshop. The Contractor shall bear all the costs of the workshop.

The workshop shall respect the following specifications:

- **Expected date of the workshop:** the date will be confirmed by the inter-service steering group in consultation with the local EU Delegation
- **Documentation:** the Contractor will be responsible for preparing the documentation for the workshop. Documents should be made available to stakeholders participating in the workshop well in advance of the event, so as to enable an informed discussion to take place.
- **Content of the workshop:** the Contractor will make a proposal for the organisation and content of the workshop, including the respective programme and a list of participants and speakers which is representative of the different categories of stakeholders. The programme will be finalised in coordination

²⁴ For more information, please visit Trade on Europa at <http://trade.ec.europa.eu/civilsoc/index.cfm>

²⁵ Which should be agreed beforehand with the Commission.

with the Commission (through the SIA Inter-service Steering Group (ISG)) and the local EU Delegation.

- **Venue:** the Contractor will provide and pay for renting of the meeting rooms and for other logistical requirements such as catering (lunch, coffee, water), and equipment (IT tools and support, overhead projectors, printers, folders, etc.). The event should be organized in 3-star (EU equivalent) hotel/conference centres (the number of rooms will depend on the agenda, and the organisation – as necessary – of thematic working groups).
- **Participants:** the Contractor should propose a balanced list of participants covering the main categories of stakeholders across Mercosur, including: businesses, national and regional administrations, social partners including trade unions, and civil society. The Commission will cover travel and accommodation costs (see below) for up to 50 participants; however that number may be exceeded, provided that additional participants are self-financing, and that the overall balance of the participation is maintained. The local EU Delegations should be consulted on the selection of participants. The draft list of participants (comprising both reimbursable and non-reimbursable participants) and the draft invitations will be discussed and approved by the inter-service steering group. Once approved, invitations will be sent by the Contractor.
- **Working languages:** the working languages for the workshop will be English, Spanish and Portuguese.
- **Travel and accommodation of participants:**

Travel must be organised for participants, as well as full board accommodation for participants travelling from locations more than 60kms from the workshop venue; these costs will also be covered by the Commission on a flat rate per effective participant. Accommodation should be provided in 3-star (EU equivalent) hotels/guest houses within walking distance of the workshop venue. Transport costs should be based on 1st class coach fares for distances less than 400kms; and on economy class air fares for distances of 400kms or more.

- **Travel and accommodation of organisers:** travel and subsistence that may be required by the Contractor to perform this consultation activity (the organisation of the workshop) will be reimbursed separately to the Contractor by the Commission.

- **Publication:** the Contractor must publicise the workshop among relevant stakeholders. Information relating to the workshop should be published on the Contractor's website. The Contractor should liaise with local media in order to ensure appropriately targeted coverage of the event. Press releases should be issued before and after the events. Participants should be aware that the Contractor is the organiser, and that the EU is financing the workshop. The EU logo must appear on all documents.
- **Follow-up:** the Contractor will ensure appropriate follow-up to the workshop by publishing on the specific, dedicated website a report on the proceedings, together with a list of participating organisations and individuals, and the views expressed. The Contractor should encourage further participation in the process by relevant stakeholders, in particular through the dedicated website; and should also provide information on how stakeholders' views have been taken into account in the final report.

4.3.5 Meetings with the European Commission

The Contractor will be required throughout the process to attend meetings with European Commission officials, including meetings with the SIA inter-service steering group²⁶. These meetings will include: presentations and explanations by the Contractor of work completed up to the date of the meeting, including reports on progress and results of modelling; further information provided by the European Commission on (*inter alia*) negotiating developments; and discussions on future work and on the specific sectors to be assessed. The Contractor will be asked to draft detailed minutes of each of these meetings.

At least four meetings shall be foreseen for the SIA including a kick-off meeting to be organised between the SIA inter-service steering group and the Contractor two weeks after signing the contract. The Contractor may be required to attend additional meetings or videoconferences as the European Commission deems relevant and necessary.

4.4 Proposals for policy recommendations and accompanying measures

²⁶ All interested Commission services and the European External Action Service (EEAS) are invited to participate in the SIA inter-service group.

The Contractor shall present proposals for policy recommendations covering enhancement and prevention/mitigation measures (*i.e.*, measures needed to reinforce any significant positive sustainability impacts, and to prevent or at least mitigate any significant negative sustainability impacts).

Recommendations shall be presented both: in terms of the EU's negotiating positions (*i.e.*, directly related to provisions to be included in the agreement, *e.g.*, in relation to trade policy *vis-à-vis* economically, socially, environmentally sensitive sectors and relevant human rights issues, if applicable); and in terms of non-trade-related (accompanying) measures. They may suggest priorities to be given to any specific sectors and specific actions on horizontal issues. The Contractor shall also analyse the feasibility of its recommendations and estimate their cost and possible impact.

5. REPORTING REQUIREMENTS

The Contractor must produce three self-standing reports as described below. Each must include all explanations, analytic concepts, assumptions, and contextual information necessary for a full understanding of the work performed, the evidence gathered, the conclusions reached and the recommendations made.

Since the draft SIA reports will be made public for stakeholders' comments, it is essential that they are drafted in such a way to be accessible and meaningful to trade and non-trade specialists alike.

Any reports submitted by the Contractor shall be accompanied by the original statistical databases, modelling files, and other data inputs that formed the basis for the analysis. Wherever appropriate, the quantitative and qualitative impact analysis shall be supported with statistical data, and corresponding data sources shall be quoted. These materials should allow full reproduction of all quantitative results published in the reports and should if necessary be accompanied by sufficient documentation to that end.

Inception Report

The inception report shall describe how the Contractor proposes to achieve the project objectives. It shall include:

- An overview of the project's key features, a description of the project's objectives and of how the work will be structured into phases, and a clarification of the scope of work including a list of key issues for the negotiations to be discussed with the Commission.
- A detailed presentation of the proposed methodological approach and data sources.

- A draft literature review, list of tools and references to be used, with a short but specific description on how the individual items will contribute to the analysis.
- A draft consultation plan that meets the specification in section 4.4, including an explanation of how it will be implemented, and of how the active engagement of all relevant stakeholders, and vulnerable groups in particular, will be ensured.
- A preliminary list of all the relevant and representative stakeholders (inside and outside the EU).
- A preliminary screening and scoping exercise for the key sustainability issues (economic, social, environmental, and human rights) associated with the trade agreement.
- A preliminary overview of the overall and sectoral analysis, and identification and definition of indicators relevant for this report, justifying the choice and how the information is to be collected.
- The selection of sectors for in-depth analysis.
- An executive summary and an outline of the expected content for both the interim and the final report.

The draft inception report must be presented to the SIA inter-service steering group and to civil society representatives in Brussels, and relevant comments shall be taken into account while finalising the drafts.

The revised inception report shall not exceed 100 pages (including the executive summary).

Interim Report

The interim report shall contain the bulk of the analytical work. In particular, it shall include:

- A set of tables under electronic format with the numerical results of the quantitative analysis foreseen under point 4.1 (4).
- Preliminary findings of the economic, social human rights and environmental analyses.
- Preliminary findings of the sectors selected for in-depth analysis.
- Progress briefing on the implementation of the stakeholder consultation plan, including:

- An account of the consultation activities that have taken place to date, a summary of the feedback gathered so far and an explanation of the use made of this feedback in the SIA;
- Overview of the use made of the SIA website and social media (including website and social media statistics).

Stakeholder consultation should be well advanced and already feed into the analysis at this stage.

- Roadmap for the work necessary to complete the final report and a proposed structure for the final report.

The Contractor is encouraged to seek early feedback from the inter-service steering group on draft chapters of the interim report in order to identify upstream potential problems, such as flaws in the assumptions underlying the analysis.

The draft interim report must be presented to the inter-service steering group and to civil society representatives in Brussels and relevant comments shall be taken into account while finalising the draft.

The revised interim report shall have no more than 200 pages (including the executive summary) plus annexes.

Final Report

The final report shall refine the analysis, recapitulate the outcomes and findings of the assessment and make recommendations and proposals for flanking measures, summarising and exploiting stakeholders' comments in a transparent manner.

It shall contain the following elements:

- Description of the methodological approach adopted for the SIA.
- The outcomes and results of the assessment.
- Details of communication activities including:
 - Outline of contacts with stakeholders in the EU;
 - Outline of contacts with stakeholders in the partner countries;
 - Outline of contacts with stakeholders in relevant third countries;
 - Minutes of the workshop in Mercosur;
 - Evidence of attendance of the participants at the workshop in Mercosur;

- Minutes of the Civil Society Dialogue meetings held in Brussels outlining key stakeholder positions and points of views, the programmes and list of participants;
 - An account of the consultation activities that have taken place, a summary of the feedback gathered and an explanation of the use made of this feedback in the SIA.
 - Overview of the use made of the SIA website and social media (including website and social media statistics).
- Conclusions, including recommendations and proposed flanking measures.
 - References and key sources.

The revised final report shall contain an abstract of no more than 200 words and, as separate document, an executive summary of no more than 6 pages, in English, French, German, Spanish and Portuguese.

It must include specific identifiers provided by the European Commission, which shall be incorporated on the cover page.

The reports shall make use of the standard disclaimer and graphic requirements described in point 5.3.2 of the Terms of Reference for the Framework Contract.

The draft final report must be presented to the inter-service group and to civil society representatives in Brussels no later than 10 months after the kick-off meeting. Relevant comments shall be taken into account while finalising the draft.

A separate briefing document of no more than two pages shall accompany the final report. This shall summarise, in very short and succinct form:

- the objectives, scope and purpose of the SIA;
- the main trade measures identified for impact analysis;
- the liberalisation scenario considered;
- other key assumptions and hypotheses;
- the most significant economic, social, environmental and human rights impacts identified;
- the most important complementary policy measures recommended in order to minimise negative impacts and maximise positive impacts of the trade measures proposed;
- the sources of evidence, and the qualitative and quantitative evidence-gathering techniques used and reported;

- details of the representative consultation process undertaken for the SIA;
- limitations in the design or the execution of the SIA in meeting the project aims and objectives; and
- suggestions (where relevant) of issues or aspects for further investigation, including *ex post* analysis of the impacts of any agreement reached at the conclusion of negotiations.

6. TIMING

SIA findings must be available well in advance of the end of the underlying negotiation, and sufficiently early to be capable of informing decision-making relating the proposed agreement.

The duration of the tasks for this project shall not exceed 14 months. The period of execution of the tasks may be extended, but only with prior written agreement of the European Commission. The expected timeline is as follows:

Deliverables	Month ²⁷
1 Draft Inception Report	1.5
1 Draft Interim Report	4.5
1 Workshop in the partner country + report	6.5
1 Draft Final Report	9.5

Tenderers must propose an indicative calendar for the work programme and reports included in the terms of reference. The calendar should be realistic and conducive to the delivery of high quality draft reports. It is the Contractor's obligation to observe the implementation of the agreed timeframe, taking into account the time necessary for consultation with the Commission and with civil society.

The inter-service group meetings in presence of the Contractor are supposed to take place three weeks after the reception of the draft reports and will take place on the same day as meetings with civil society in Brussels.

²⁷ Counting from the date of the kick-off meeting.

7. BUDGET

The budget of the contract, including all costs, shall not exceed EUR 400 000 for its total duration.

The tenderer should however be aware that the contract award criteria are based on the most economically advantageous tender.

The price offer of the tender must be complete. The price must include, inter alia, the honoraria and costs related to the workshop in Mercosur (general organisation, communication, transport, accommodation, and catering for the participants). The tenderer must not include in the price offer expenses for items that cannot be itemized and specified as requested (see Annex 2); otherwise, his/her tender will be rejected.

The Commission shall not separately reimburse travel or subsistence expenses incurred by the Contractor to attend the meetings in Brussels, nor any other costs such as translation costs, database management or administrative costs necessary to carry out the tasks of the contract (offices, secretarial assistance, communications, printing costs of documents, dispatch costs, etc.). Therefore, the tenderer is requested to take into account all these costs when preparing the offer.

Travel and subsistence expenses which may be required for the Contractor to perform the consultations activities foreseen in points 4.3.2. and 4.3.4 of these terms of reference shall be reimbursed separately, as foreseen in the Framework Contract and up to the flat-rate ceilings set out in Annex III of the Framework Contract, up to a maximum of EUR 30 000.

8. PAYMENT

Payment shall be made in Euro (€).

Payment shall be made on services rendered (and time spent) based on the submission to, and acceptance by, the Commission of the reports and duly established invoices.

Interim payments:

In line with article I.4.3 of the framework contract, at the request of the Contractor:

- a first interim payment of 30% of the total value under point III.3.1 of the specific contract shall be made, after presentation and acceptance of the inception report and an invoice.
- a second interim payment of 40% of the total value under point III.3.1 of the specific contract shall be made, after presentation and acceptance of the interim report and an invoice.

In line with article II.16 of the framework contract, at the request of the Contractor:

- reimbursement of travel and subsistence expenses will be made on production of original supporting documents and an invoice.

Payment of the balance:

The request for payment of the balance by the Contractor shall be made according to the provisions of article I.4.4 of the framework contract. The final report shall be accompanied by the evidence of attendance of the participants at the workshop.

9. CONTRACTUAL CONDITIONS

In drawing up its bid, the Contractor should bear in mind the provisions of the standard specific contract attached to this invitation to tender (see Annex 1). This contract will be proposed to the successful Contractor. By submitting an offer, the Contractor accepts the conditions of this contract.

The Contractor must not include in the offer conditions or clauses that are not specified in, or that modify, this Terms of Reference, on pain of its tender being rejected.

10. THE TENDER MUST INCLUDE:

- All the information and documents required by the authorising department for the appraisal of tenders on the basis of the award criteria set out at point 12 below;
- Description of the methodology and planning of the work, including the time limit for delivery of each report and document and quality control systems to ensure English drafting is of a very high standard;
- A description of the team proposed for the assignment;
- A signed statement of exclusivity and availability for each expert;
- A fixed price: using the quotation form in Annex 2, the Contractor will specify the number of man-days allocated per category of staff as indicated in annex II of the Framework Contract and will provide a total cost for the workshop in Mercosur and the reimbursement of travel and accommodation (if necessary) of stakeholders invited to the workshop (50 participants) on the basis of a flat rate per participant.

11. QUOTATION OF PRICES

As regards honoraria, prices must be quoted in EUR (€) corresponding to the accepted unit prices as set out in annex II to the Framework Contract.

Prices must be fixed amounts that are non-revisable.

Prices shall be quoted free of all duties, taxes and other charges, including VAT, as the European Union is exempt from such charges under Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Union annexed to the Treaty of the European Union and to the Treaty on the Functioning of the European Union. Exemption is granted to the Commission by the governments of the Member States, either through refunds upon presentation of documentary evidence or by immediate exemption. The successful Contractor shall be given the necessary instructions by the Commission.

12. AWARD CRITERIA FOR THE CHOICE OF THE CONTRACTOR

The contract will be awarded to the "most economically advantageous tender".

Criteria to be applied are:

- price (price of the tender measured as a ratio compared to the lowest tender²⁸), (30%), identified as the sum of the total maximum cost of tasks (honoraria) with the total maximum cost of workshop (assuming 50 participants), i.e. value arrived at in row (I+II) of "Annex 2 Quotation Form for Price"

and

- quality in terms of technical quality of the offer (70%) assessed on the basis of the following sub-criteria

No	Qualitative award criteria	Weighting (maximum points)
1.	Technical quality, experience, variety and coherence of the proposed team for the assignment covered by the specific contract, including appropriateness of the local contacts proposed where relevant. Balance between the input of the senior and junior experts.	50

²⁸ By using the formula: $\frac{\text{Price of the lowest tender}}{\text{Price of the tender}} * \text{fixed percentage} = \dots \% \text{ for the criterion 'price'}$

2.	Quality and appropriateness of the proposed methodology a) quality of the work plan, including subsequent steps, timetable and outputs so as to deliver in time credible, coherent and reliable deliverables b) methodology: quality of the quantitative and qualitative research methods proposed to perform the assignment	40
3.	Approach proposed for the management of the project and its quality control	10
<i>Total number of points</i>		100

The evaluation board will compare the offers based on this score, it being clear that the Commission cannot be required to accept an offer the quality of which does not reach the minimum standard of 65%.

A minimum threshold of 50% will also be applied per criterion, meaning that the Commission will only assess further offers that obtain 50 % or more on a single criterion.

The sum of the price and quality criteria will result in a numerical score (e.g. 75%).

Annex 1: Specific Contract

Annex 2: Quotation Form for Price