Ex-post evaluation of the implementation of the Deep and Comprehensive Free Trade Areas (DCFTAs) between the EU and Georgia and Moldova

Draft Inception Report
CSD Meeting, 25 May, 2021
Overview

Purpose of the evaluation:

• To evaluate the economic, social and sustainable effects of the DCFTAs
• To determine their relevance to the current trade and economic needs and challenges of the EU, Georgia and Moldova
• To assess the extent to which the DCFTAs contributed efficiently and effectively to reaching the objectives set out in the Association Agreements as well as the objectives of the EU’s trade and neighbourhood policies

Scope:

• Criteria: effectiveness, impact, efficiency, coherence and relevance
• Geographically: Georgia, Moldova (including Transnistria), EU. The ex-post evaluation will also cover the third countries such as the UK, CEFTA, EFTA, EAEU, CIS, China
• Period: since date of the provisional application of the DCFTAs (1 September 2014). Comparison period (where appropriate): from 5 years prior to start of the provisional application
• Groups affected: whole economies, sectors, workers, women, rural/urban population
• Ex-post evaluation timeline: Inception Report April 2021, Interim Reports September 2021, draft Final Reports March 2022, Final Reports April 2022
The report is based on the tender proposal, feedback from the Commission during the kick-off meeting, introductory calls with the relevant EU bodies working on the DCFTA countries, and preliminary consultations with stakeholders to identify the limitations to the proposed consultation activities.

- Summary of the DCFTAs
- Summary of the key macroeconomic indicators
- Literature findings on the effects of the DCFTAs
- The methodology, the assessment framework and evaluation work plan for this ex-post evaluation
- Consultation Strategy (as a separate document)
Tasks 1-5: Summarising the DCFTAs & Refining Methodology

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<tr>
<th>Task 1: Refine draft intervention logic</th>
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<td>• Based on the operational objectives of the DCFTAs and draft intervention hypothesis developed by DG Trade</td>
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<th>Task 2: Define &amp; develop methodology</th>
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<td>• Evaluation questions (grouped by evaluation criteria)</td>
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<td>• Judgement criteria (indicators, tools and sources)</td>
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<th>Task 3: Review existing studies</th>
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<td>• Review of the literature mentioned in the ToR, and the collection of the other papers &amp; studies</td>
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<th>Task 4: Brief summary of the key macro-economic indicator</th>
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<td>• Key Indicators on economic, trade and sustainable development of the DCFTA countries</td>
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<th>5: Brief description of the DCFTAs</th>
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<td>• Concise description of the DCFTAs, their institutional structure and their degree of implementation</td>
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<td>• Economic and political context in which the DCFTAs have been negotiated and in which they currently operate</td>
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### EU-Georgia AA Title IV (trade): Draft Intervention Hypothesis

#### Policy Instrument

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<tr>
<th>Clause</th>
<th>Description</th>
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<td>Art. 1.2(a)</td>
<td>Promote economic integration</td>
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<td>Art. 1.2(b)</td>
<td>Support Georgia in developing its economic potential through international cooperation including approximation of its legislation</td>
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<td>Art. 1.2(h)</td>
<td>Achieve economic integration of Georgia into EU internal market by establishing DCFTA to provide far-reaching market access on basis of comprehensive regulatory approximation</td>
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<td>Art. 22</td>
<td>Establish a free trade area</td>
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<td>Art. 50</td>
<td>Facilitate trade in commodities subject to SPS</td>
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<td>Art. 66</td>
<td>Reinforce cooperation on customs and trade facilitation</td>
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<td>Art. 76</td>
<td>Progressively liberalize establishment and trade in services, cooperate on e-commerce</td>
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<td>Art. 127</td>
<td>Cooperate to promote bilateral e-commerce</td>
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<td>Art. 141</td>
<td>Open public procurement markets in reciprocal and gradual way</td>
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<td>Art. 150</td>
<td>Facilitate production and commercialization of innovative products; achieve adequate and effective protection and enforcement of IPRs</td>
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<td>Art. 220</td>
<td>Provide predictable regulatory environment and efficient procedures for economic operators incl. SMEs</td>
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<td>Recital</td>
<td>Enhance the security of energy supply</td>
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<td>Art. 227</td>
<td>Promote development of int. trade in a way that contributes to sustainable development; ensure that sustainable development is integrated and reflected in every part of the bilateral trade relationship and recognize that economic and social development and environmental protection are its interdependent and mutually reinforcing pillars</td>
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<td>Art. 244</td>
<td>Establish effective and efficient mechanism for avoiding/settling disputes arising from interpretation and application of Title IV</td>
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#### Objectives

- Preamble, Art 1 and various articles Title IV

- **Chapter 15**: General provisions on approximation
- **Chapter 1**: National treatment and market access for goods
- **Chapter 2**: Trade remedies – safeguards, AD/CV measures
- **Chapter 3**: TBT, standardization, metrology, accreditation and conformity assessment
- **Chapter 4**: SPS measures
- **Chapter 5**: Customs measures
- **Chapter 6**: Establishment, trade in services, e-commerce
- **Chapter 7**: Current payments and movement of capital
- **Chapter 8**: Public procurement
- **Chapter 9**: IPR
- **Chapter 10**: Competition
- **Chapter 12**: Transparency
- **Chapter 11**: Trade-related energy provisions
- **Chapter 13**: Trade and sustainable development
- **Chapter 14**: Dispute settlement

#### Implementation activities

- **Art. 404**: Association Council
- **Art. 407**: Association Committee
- **Art. 412**: Civil Society Platform
- **Art. 421**: SPS Subcommittee
- **Art. 474**: Customs Subcommittee
- **Art. 179**: Geographical Indications Subcommittee
- **Art. 240(2)**: Trade and Sustainable Development Subcommittee
- **Art. 240(4)**: EU and Georgia DAGs
- **Art. 241**: Joint Civil Society Forum
- **Art. 243**: Expert Panel

#### Short term outcomes

- Georgia has approximated its domestic legislation to that of EU in a number of trade-related areas
- Elimination of tariffs and reduction of non-tariff barriers to trade in goods and services and to investment
- Increased market access for the goods and services of each Party
- Increased e-commerce between the Parties
- Georgian public procurement market is opened and aligned with EU public procurement legislative framework
- Effective protection and enforcement of IPRs
- Greater stability and predictability in the regulatory environment for economic operators
- Increased trade in goods and services and intrablock investment between Georgia and EU

#### Medium term outcomes

- Increasing approximation of Georgian domestic legislation to that of the EU acquis
- Economic integration of Georgia into the EU market
- High level of approximation of Georgian domestic legislation to EU acquis
- Sustainable development is integrated and reflected in every part of the trade relations between the Parties
- Effective dispute settlement mechanism

#### Long term impacts (Recitals)

- Long term contribution to sustainable development including better protection of the environment, mitigation of climate change and improved environmental governance
- Contribution to economic reforms in Georgia
## Evaluation Questions

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<th>Category</th>
<th>Question</th>
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<td><strong>Effectiveness</strong></td>
<td>EQ 1: To what extent have the DCFTAs’ objectives been achieved?</td>
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<td>EQ 2: Which factors are influencing (either positively or negatively) the achievements of those objectives?</td>
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<td>EQ 3: What have been the Agreements’ unintended consequences so far?</td>
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<td><strong>Impact</strong></td>
<td>EQ 4: What have been the economic, social, human rights and gender equality, and environmental impacts of implementation of the DCFTAs?</td>
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<td>EQ 5: How did implementation of the DCFTAs affect SMEs, consumers and specific economic sectors as mentioned in Trade for All Communication?</td>
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<td><strong>Efficiency</strong></td>
<td>EQ 6: To what extent have the DCFTAs been efficient in achieving their objectives?</td>
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<td>EQ 7: To what extent are the costs associated with the DCFTAs proportionate to the benefits they have generated?</td>
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<td>EQ 8: Have these costs and benefits been proportional amongst the different stakeholder groups and interests?</td>
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<td>EQ 9: Have there been unnecessary regulatory costs (including administrative burden)?</td>
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<td><strong>Coherence</strong></td>
<td>EQ 10: To what extent has the implementation of the DCFTAs been coherent with the EU’s trade and neighbourhood policies?</td>
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<td>EQ 11: To what extent has the implementation of the DCFTAs been coherent with the EU’s commitment to sustainable development in trade policies as a contribution attainment of the SDGs?</td>
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<td><strong>Relevance</strong></td>
<td>EQ 12: Are the provisions of the DCFTAs still relevant to address the current trade needs and issues of the EU, Georgia and Moldova?</td>
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Tasks 6, 7, 9: Consultations

Task 6: Evaluation website
- https://www.dcfta-evaluation.eu/
- Repository of all evaluation documents and stakeholders’ consultations

Task 7: Develop consultation strategy
- Consultation objectives and scope
- Stakeholder’s consultations tools
- Identification and mapping of stakeholders in the EU and partner countries
- 200+ stakeholders are mapped across seven groups of stakeholders (public and private sector, consumer organisations, international organisations, NGOs and CSOs, academia, think tanks and research centres)
- Mapping is ongoing

Task 9: Undertake consultation Activities
Task 7
Consultation Strategy

- Pillar 1: Meetings with EU civil society (civil society dialogue, CSD, meetings)
- Pillar 2: Online public consultation
- Pillar 3: Targeted consultation tools
  - Online survey for consumers
  - Online survey for businesses (including SMEs)
  - Workshops in partner countries
  - Interviews and meetings with stakeholders in the EU and partner countries
- Pillar 4: Meetings with the EU institutions
- Pillar 5: Digital engagement with stakeholders and interested persons in general, through website and electronic communication channels
Task 11 Analysis of Economic Effects of Trade Liberalisation

**Economic effects of the DCFTAs**

- Sub-task 11.1 Evolution of trade in goods
- Sub-task 11.2 Evolution of trade in services
- Sub-task 11.3 Evolution of FDIs
- Sub-task 11.4. Macroeconomic and budgetary effects of the DCFTA

**Methodology**

- Quantitative analysis
  - Descriptive statistical analysis: identifying best and worst performing sectors, regions, and enterprises; the use of preference utilisation rates and tariff rate quotas, evolution of market shares and concentration/diversification, effects of non-tariff barriers
  - Comparative analysis with the reference countries for both Georgia and Moldova
  - Analysis of the CGE modelling results conducted by DG Trade
  - Regression analysis (DiD to outline economic effects of the DCFTAs)
- Qualitative analysis
  - Literature review
  - Stakeholders’ consultations
Task 12
Assessment of the regulatory approximation of the DCFTAs

Sub-task 12.1: Assess progress in the adoption, implementation and enforcement of “EU acquis” per “Group 1” area
- SPS & TBT: two examples of regulatory approximation will be selected to assess the impact in the opening of market access for Georgian and Moldovan products
- Customs: analyse whether trade facilitation provisions and customs have simplified or complicated life for key stakeholders; quantify the impact of trade facilitation by analysing data on trade costs related to trade regulation
- Public Procurement: two relevant examples of tender procedures

Sub-task 12.2: cost and benefits analysis of regulatory approximation per “Group 1” area:
- Costs associated with the regulatory burden taken by the public sector
- Costs incurred by the private sector in order to comply with the new standards
- Social impact of the legislative approximation

Sub-task 12.3: Assess the fitness of the legislative procedures
- Two concrete legislative procedures per ‘Group 1’ area will be selected to assess the fitness of the legislative procedures

Sub-task 12.4: Assess the alignment in IPR, trade-related energy and competition areas

Sub-task 12.5: Assess the enforcement of the new provisions and the institutional framework
Task 13 DCFTAs’ effects on SMEs and consumers

Sub-task 13.1: Impact of the DCFTAs on SMEs

- Case studies
  - Agricultural: Fresh fruits and vegetables
  - Non-Agricultural: apparel
- Stories on SMEs
  - Georgia: furniture, jams and canned vegetables, dried fruits, fresh fruits, vegetables and textile and apparel
  - Moldova: natural honey and wine, Fresh fruits and vegetables, apparel.

Sub-task 13.2. Effects on Consumers

- Case studies: Agricultural sector – SPS
Task 14
Analysis of sustainable development effects

- Sub-task 14.1: The impact of implementing the DCFTAs’ chapter on TSD
  - Scoping exercise: scoping the key commitments related to the social/labour, environment, climate and energy, made under the chapters on TSD in the DCFTAs
  - Stakeholders’ consultation
  - Assessment of TSD implementation

- Sub-task 14.2: Analysis of the effects of the DCFTAs on wages, sectoral employment, and household income
  - Effects on wages, sectoral employment, and household income at the macro level
  - Welfare and social effects of the Agreements, including the impact on poverty reduction in Moldova and Georgia

- Sub-task 14.3 Qualitative and quantitative assessment of the DCFTAs’ impact on the Decent Work Agenda
  - Employment and poverty
  - Working conditions and labour standards
  - Labour inspection and social dialogue
  - Social protection
Task 14
Analysis of sustainable development effects

- Sub-task 14.4: Assessment of the DCFTAs’ impact on the informal economy and informal employment in the DCFTA countries
  - Quantitative and qualitative analysis of the trends of the informal economy to establish the dynamics before and after implementation of the DCFTAs

- Sub-task 14.5 Examine the effects of the DCFTAs’ on gender inequality - four transmission channels will be analysed:
  - production/employment effects
  - consumption effects
  - gender-based constraints to supply response
  - revenue effects
Task 14
Analysis of sustainable development effects

Sub-task 14.6: Assessment of the DCFTAs’ environmental impact: qualitative and quantitative assessment of the five impact categories:

- Climate change (mitigation and adaptation)
- Air quality and pollution
- Water quality and resources
- Biodiversity and ecosystems
- Waste
- Energy
- Other natural resources

Sub-Task 14.7: Examination of the DCFTAs’ impact on business conduct and corporate social responsibility

- Assessing to what extent are the internationally recognised instruments of responsible business conduct and corporate social responsibility (including the OECD, ILO, UN, ISO Guidelines) incorporated in the DCFTA countries
Task 15
Analysis of the DCFTAs’ effects on human rights

• Sub-task 15.1: Analysis of the DCFTAs’ impact on the enjoyment of human rights and the parties’ ability to fulfil their human rights obligations:
  • Review of the existing human rights obligations of the parties under international law, including the ILO fundamental Conventions and under the DCFTAs
  • Human rights impact assessment:
    • Fairness in accessing trade-related benefits for SMEs and its link to enjoyment of the right to a decent living, particularly for vulnerable groups, LGBTI and gender groups
    • Sustainable use of natural resources
    • Enjoyment by Moldovan and Georgian citizens of their best physical and mental health

• Sub-task 15.2: Identification of individuals or groups that may have been affected by the following criteria:
  • income, employment, access to quality and diversity of goods or services

• Sub-task 15.3: Make recommendations and proposals for additional or flanking measures to maximise/reinforce the impacts of the DCFTAs
Tasks 16-17

- Task 16: Assessment of the DCFTAs impact on competitiveness, business environment and investment climate:
  - Impact on competitiveness
  - Impact on the business environment
  - Impact on the investment climate
  - Trade facilitation to third countries and/or use of intermediate goods from the EU
  - Practical/market experience of businesses

- Task 17: Assessment of the effectiveness of the institutional structure in place to implement the DCFTAs
  - Analyse the decisions taken by the Association Committees in Trade Configuration Trade Committee and the four specialised subcommittees (SPS, GI, Customs and TSD), the measures taken by the parties to implement these decisions
  - Assess the functioning of the TSD Subcommittee and the joint civil society dialogue as a fora
  - Assess the functioning and the effects of the domestic mechanisms set up (for labour, environment and sustainable development) in line with the commitments of the DCFTAs
Workplan

Inception Phase

Initial Deliverables

Implementation Phase: Sequential Workflow

Draft Reports

Final Deliverables

Kick-off Meeting

Phase 1
Set up the context
Tasks: 1 - 8

Inception report
- DCFTA logic
- Methodology
- Consultation strategy, etc.

2 months after kick-off

Phase 2
Impact analysis, assessment of approximation, consultations, case studies
Tasks: 9 - 19

Interim Technical report
- Impact analysis

8 months after kick-off

Annexes
1. Quantitative analysis
2. Stakeholder consultations
3. Case study reports

Project Management report
- Gantt Chart
- Stakeholder workshops
- Venues list, etc.

2 months after kick-off

Draft Final report
- DCFTA description
- DCFTA approximation
- Impact analysis
- Case studies
- Evaluation questions
- Recommendations

13 months after kick-off

Final report

14 months after kick-off

✓ Presentation to key stakeholders in Brussels
## Stakeholders’ Consultations Schedule

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Ex-post evaluation of the implementation of the DCFTAs between the EU and Georgia and Moldova

[Link to the evaluation website](https://www.dcfta-evaluation.eu/)

Email: dcftas.ex-post@ceps.eu

Twitter: @CEPS_ThinkTank, @CEPS_fp
Thank You!

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