MID-TERM EVALUATION OF THE EU’S GENERALISED SCHEME OF PREFERENCES (GSP)

Civil Society Dialogue on Draft Inception Report
Thursday 19th January 2017
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Introduction to the EU’s Generalised Scheme of Preferences

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The EU’s Generalised Scheme of Preferences

Preferential tariff scheme for developing countries

Its objectives are:

• To contribute to poverty eradication by expanding exports from countries most in need
• To promote sustainable development and good governance
• To safeguard the EU’s financial and economic interests

EUR 50.8 billion worth of preferential imports to the EU in 2014

• Standard GSP – EUR 27.3 billion
• GSP+ – EUR 6.5 billion
• EBA – EUR 17 billion

The GSP Regulation ((EU) No. 978/2012)

Entered into force on 1 January 2014

Rationale for the reform
- To better reflect the current global landscape
- To focus on the countries most in need
- To reduce erosion of preference margins

Reforms to the scheme
- Extended expiration date: from 3 to 10 years
- Reduced number of beneficiaries: from 177 to 88 countries
- Sensitive and non-sensitive product distinction was incorporated in the method for calculating tariff rates
- Graduation mechanism
  - Expanded set of criteria to become ineligible for benefits
  - Certain product sections
  - Increased thresholds of these criteria (from 1% to 2%; and later 6.5%)

Changes to the GSP+ arrangement
- More incentives introduced for countries to join the GSP+
- Enhanced monitoring measures to ensure compliance
- Facilitated procedural requirements for temporary withdrawal and safeguard mechanism
GSP arrangements

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Standard GSP</th>
<th>GSP+</th>
<th>EBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Lower of lower-middle income countries</td>
<td>Vulnerable Standard GSP beneficiaries in</td>
<td>Least Developed Countries (LDCs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>terms of export diversification and import volumes</td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries (as of 1 January 2017)</td>
<td>23</td>
<td>8</td>
<td>49</td>
</tr>
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</table>

Trade preferences

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Standard GSP</th>
<th>GSP+</th>
<th>EBA</th>
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</thead>
<tbody>
<tr>
<td>Non-sensitive goods</td>
<td>Duty suspension</td>
<td>Duty suspension</td>
<td>Duty suspension</td>
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<tr>
<td>Sensitive goods</td>
<td>Duty reduction:</td>
<td>Duty suspension</td>
<td>Duty suspension</td>
</tr>
<tr>
<td>- Specific duty</td>
<td>- 30 per cent</td>
<td>Duty suspension</td>
<td>Duty suspension</td>
</tr>
<tr>
<td>- Ad valorem duty</td>
<td>- 3.5 percentage points</td>
<td>Duty suspension</td>
<td>Duty suspension</td>
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</tbody>
</table>
Project Overview

In support of the European Commission Report to the European Parliament and the Council on 21 November 2017

- On the application of the GSP Regulation
- Full assessment of all three arrangements and all beneficiary countries

Project objectives

- To assess whether the objectives set by the Regulation are on track to be achieved
- To evaluate the current GSP Regulation on its
  - Effectiveness
  - Efficiency
  - Coherence
  - Relevance
- To formulate conclusions and recommendation
Project Team

Team Leader: Mr. Willem VAN DER GEEST

Senior Modelling Expert: Mr. Michael GASIOREK

Senior Economic Expert: Mr. Peter HOLMES

Senior Social Expert: Ms. Kamala DAWAR

Senior Environmental Expert: Mr. Tony ZAMPARUTTI

Senior Human Rights Expert: Ms. Philippa JONES

Project Manager: Ms. Lisandra COLLEY and Ms. Emily HEMMINGS

Research Coordinator: Mr. Jay BROHMAN
General Research Questions

• To what extent are the objectives of the current GSP on track to be achieved?

• What has been the impact of the present scheme on developing countries and LDCs?

• What are the (positive and negative) factors influencing the achievements observed?

• What unintended consequences, if any, can be linked to the design, implementation, or use of the current GSP?

• To what extent is the current GSP efficient?

• To what extent is the current GSP coherent with the EU’s relevant policies?

• To what extent is the current GSP scheme relevant to the development needs which it is intended to address?
Methodological approach

- Quantitative and qualitative analysis of the functioning of the GSP Regulation
  - State-of-the-art available indicators
  - Up-to-date international trade measurement techniques

- Impact assessment
  - Economic, social, human rights and environmental impact

- Six in-depth case studies on the impact in specific countries and sectors
  - On the impact of the EBA in Bangladesh and Ethiopia
  - On the impact of the GSP+ in Pakistan and Bolivia
  - On the impact of the GSP Standard on the textile and machinery sector
Economic impact assessment

Up-to-date and detailed economic, trade and tariff data on:

- **Utilisation Rate**: preferential imports as a percentage of eligible imports

- **Coverage Rate**: eligible imports divided by total imports

- **Trade Volumes (Intensive and Extensive Margins)**: trade flows between EU and beneficiary countries and the characteristics of the trade margins

- **Terms of Trade**: relative price of exports in terms of imports

- **Sectoral Output**: the output of an industry at a given level of aggregation that only reflects deliveries outside of the industry

- **Changes in GDP and GDP per capita over time**
Social/Human Rights Impact Assessment

• Ratification and implementation of the international conventions covered by the GSP+ arrangement

• Social indicators on labour standards and employment
  Employment-to-population ratio (female employment, youth employment)
  Average real wages and average real wage growth
  Poverty reduction / Social Inclusion Rating / Social Protection Rating / Poverty rate

• Human rights indicators
  Civil Liberties Index / Voice and Accountability Index / Gender Equality Rating

• Good governance
  Political Stability Index / Government Effectiveness Index / Regulatory Quality Index
  Rule of Law Index / Corruption Perceptions Index (CPI)
Environmental Impact Assessment

• Ratification and implementation of the environmental conventions

Convention on International Trade in Endangered Species of Wild Fauna and Flora
Montreal Protocol on Substances that Deplete the Ozone Layer
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
Convention on Biological Diversity
The United Nations Framework Convention on Climate Change
Kyoto Protocol to the United Nations Framework Convention on Climate Change
Cartagena Protocol on Biosafety
Stockholm Convention on persistent Organic Pollutants

• Qualitative assessment of environmental indicators subject to data availability

Environmental Sustainability Rating / renewable energy / waste generation / forest area coverage /
land use and competition / biodiversity, terrestrial and freshwater biodiversity / proportion of fish
stocks / biodiversity / air pollution / climate change
Has the GSP reform addressed main problems?

Preferences are now more focused on the countries most in need
- Expected: increase of benefits from preferential market access of LDC and vulnerable countries

Greater support to diversification of exports
- Expected: improvement on export diversification indices

Greater consistency with overall trade objectives
- Expected: less competition between development objective of the GSP and the free market expansion objective

Higher level of utilisation of preferences by some countries
- Expected: benefits of reformed Rules of Origin and extended value addition thresholds

Improved performance regarding sustainable development and good governance
- Expected: improvement via criteria simplification to enter GSP+

Improved safeguarding of EU economic interests
- Expected: benefits through expansion of safeguarding measures and facilitation of procedures
## Main Risks and Challenges for the Evaluation

| Objective                                                                 | Risk                                                                 | Approach                                                                 |
|---------------------------------------------------------------------------|                                                                     | - Inclusion of 2016 trade data  
|                                                                            | - Using up-to-date readily available indicators                      | - In-depth focus on four beneficiary countries and two sectors          |
| A relevant and up-to-date Final Report                                    | Trade data and data on social, environmental and human rights indicators is lagging behind | - Reach out to extensive number of stakeholders  
|                                                                            |                                                                      | - Follow-up with survey recipients where possible                        |
| Extensive and in-depth stakeholder consultation                           | Low response rate to the online public questionnaire                | - Closely liaise with the European Commission’s Inter-Service Steering Group and stakeholders |
| Quantitative and qualitative analysis                                     | Aligning analytical outputs with ongoing policy thinking and dialogue | - Closely liaise with the European Commission’s Inter-Service Steering Group and stakeholders |
## Case Studies – Impact of the EBA

<table>
<thead>
<tr>
<th>EBA</th>
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<tbody>
<tr>
<td>• Bangladesh and Ethiopia</td>
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<tr>
<td>• Impact of EBA on economic, social, environmental and human rights</td>
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<tr>
<td>• Extensive stakeholder consultation through local workshops and</td>
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<td>interviews</td>
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<table>
<thead>
<tr>
<th>Analytical questions</th>
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<tbody>
<tr>
<td>• What is the impact of EBA?</td>
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<tr>
<td>• What is the impact of EBA on economic development?</td>
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<td>• What is the impact of EBA on poverty reduction?</td>
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<td>• What is the impact of EBA on the distribution of gains?</td>
<td></td>
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<tr>
<td>• Are there any unintended consequences of EBA?</td>
<td></td>
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<tr>
<td>• What are the economic, social, environmental and human rights</td>
<td></td>
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<tr>
<td>impacts of the EBA?</td>
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</table>
Case Studies – Impact of the GSP+

<table>
<thead>
<tr>
<th>GSP+</th>
<th>Bolivia, Pakistan</th>
<th>Impact of GSP+ on economic, social, environmental and human rights situation</th>
<th>Status of implementation of the GSP+ covered conventions</th>
<th>Role of GSP+ and its monitoring framework</th>
<th>Extensive stakeholder consultation through local workshops and interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytical Questions</td>
<td>What are the economic, social, environmental, human rights and good governance impacts of the GSP+?</td>
<td>What is the impact of the GSP+ on the implementation of GSP+ relevant international conventions since the country’s adhesion to GSP+?</td>
<td>How is the political will in the country to implement and adhere to these international conventions?</td>
<td>What is the role of the GSP+ and its monitoring framework in the positive and/or negative changes that occurred?</td>
<td>What is the level of awareness among key stakeholders of GSP+ requirements?</td>
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### Case Studies – Impact of the GSP

<table>
<thead>
<tr>
<th><strong>Textile, Machinery sector</strong></th>
<th><strong>Analytical Questions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Impact of the GSP on producers/industries in beneficiary countries &amp; in the EU</td>
<td>• What is the impact of the GSP arrangements on producers and industries in beneficiary countries?</td>
</tr>
<tr>
<td>• Competitive pressure of the GSP on EU producers</td>
<td>• What is the impact of the GSP arrangements on EU producers and industries using or competing with goods imported under GSP preferences?</td>
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<tr>
<td>• Effect on costs of production</td>
<td>• What is the impact of the GSP preferences on the global competitiveness of beneficiary countries’ industries and EU industry?</td>
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<tr>
<td>• Effect on global value chains</td>
<td>• What is the impact of the GSP arrangements on the development of global value chains?</td>
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- What is the impact of the GSP arrangements on producers and industries in beneficiary countries?
- What is the impact of the GSP arrangements on EU producers and industries using or competing with goods imported under GSP preferences?
- What is the impact of the GSP preferences on the global competitiveness of beneficiary countries’ industries and EU industry?
- What is the impact of the GSP arrangements on the development of global value chains?
- What is the impact of the reduction in the number of GSP beneficiary countries under Regulation (EU) 978/2012?
- Have competitive pressures been reduced for EU producers and industries previously competing with producers and industries in excluded countries?
- Have competitive pressures been reduced for producers and industries in beneficiary countries?
- What is the impact on production costs and overall competitiveness for EU producers and consumers that rely on imports under GSP preferences?
Stakeholder Engagement

Online presence

• Online public consultation
• Website online contact form
• Social media channels (LinkedIn, Twitter)
• Electronic newsletters

Dialogues

• Civil Society Dialogues
• Inter-Service Steering Group

Expert interviews and meetings

Local workshops
Stakeholder Engagement - Questionnaire

- 12 week online public consultation
- Distributed via the dedicated GSP website as well as in hardcopy during workshops and other meetings
Stakeholder Engagement – Local Workshops

Four full-day workshops held in the case study countries

- Bangladesh – 7 February 2017
- Ethiopia – 7 March 2017
- Bolivia – 4 April 2017
- Pakistan – May 2017

To present the preliminary findings of the study to key stakeholders

To gather views of key stakeholders in the country

- Private businesses, national and regional administrations, social partners including trade unions, international organisations that are present on the ground, and civil society.

To raise overall awareness about the GSP
Stakeholder Engagement – Online Presence

Dedicated website - www.GSPevaluation.com

- Visibility of progress on the project by publication of relevant information and documents
- Main platform for conducting online stakeholder outreach and consultation

Social media channels

- To update stakeholders on the progress of the project
- To facilitate discussion and stakeholder engagement
Project Timeline – Inception Phase

- Development of methodology
- Review of existing studies and research
- Development of design and content for website and social media channels
- Publication of the Final Inception Report
Project Timeline - Implementation phase

- Impact assessment
  - Economic, social, human rights and environmental impact
  - Case studies

- Stakeholder engagement and consultation activities
  - Local workshops
  - Interviews and meetings
  - Online public questionnaire
Project Timeline - Finalisation Phase

- Capturing final feedback from EC and Stakeholders
- Identification of risks and opportunities of the GSP
- Formulating an answer to the research questions of the Mid-Term Evaluation
- Development of policy recommendations
Thank you for your attention!

WE WELCOME YOUR INPUT

Stay up to date on the evaluation process

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www.GSPevaluation.com

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GSP Evaluation