

**SUPPORT FOR THE ADMINISTRATIVE SECRETARIAT OF THE FREE TRADE AREA OF  
THE AMERICAS (FTAA) – PANAMA 2001-2003**

**(TC0008006RG)**

**EXECUTIVE SUMMARY**

**Requester:** Government of Argentina in its function as Chair of the FTAA Trade Negotiations Committee (TNC), and on behalf of the 34 countries participating in the FTAA process.

**Executing Agency:** FTAA Administrative Secretariat

<b>Amount and Source:</b>	IDB - non-reimbursable FSO:	US\$	3,000,000
	Cofinancing:	US\$	115,000
	Local:	US\$	1,185,000
	Total:	US\$	4,300,000

**Terms:** Execution Period: 24 Months

Disbursement Period: 30 Months

**Objectives:** The general objective of the Program is to facilitate the creation of the Free Trade Area of the Americas through the provision of direct support to the FTAA negotiating process.

The specific objective of the Program is to support the operation of the FTAA Administrative Secretariat, which provides temporary administrative and logistical support to the negotiating process.

**Description:** The project will support the physical transfer of the FTAA Administrative Secretariat from Miami to Panama City and the operation of the Administrative Secretariat in Panama from March 2001 to February 2003. Specifically, consultants will be hired and other goods and services procured to ensure that the Secretariat is in a position to comply with its official mandate of (a) providing administrative and logistical support to the FTAA negotiations; (b) providing document translation services and interpretation during the deliberations; and (c) processing the official documentation of the FTAA negotiations.

**Environmental/  
Social Review:** Because of the nature of the program, no adverse environmental impact is foreseen. The project document was reviewed by the CESVTRG in its meeting no. 35/00 of September 22, 2000 and no comments or observations were made.

**Benefits and  
Beneficiaries:**

The continued operation of the FTAA Administrative Secretariat, which has provided crucial support to the FTAA negotiating process so far, will ensure that the process can continue on track. Through its provision of document, translation, interpretation and conference services, the Secretariat provides the necessary infrastructure for the FTAA negotiations while allowing participating countries to dedicate their (often limited) financial and human resources to the substance of the negotiating process. The Secretariat guarantees internal transparency by ensuring that all documents are circulated to the relevant delegates in each of the negotiating groups. It also provides a level playing field for all the countries participating in the FTAA negotiations by ensuring that documentation is distributed in both negotiating languages. In this respect, the Secretariat is of particular benefit to the smaller economies in the region, whose costs of participating in the process would be unmanageably high if they could not count on the services of the Secretariat. In its capacity as the official archive of the negotiations, the Secretariat is moreover responsible for preserving the legislative history of the process, which will later serve to interpret hemispheric implementation of the final treaty. Finally, in addition to the Bank's membership and active participation in the Tripartite Committee, the program will strengthen the Bank's role as an important facilitator in the process of regional economic integration. The beneficiaries are the 34 countries participating in the FTAA process.

**Risks:**

The success of the Secretariat will hinge to a considerable extent on the professional skills of its staff to facilitate FTAA negotiations through logistical and administrative support. To ensure maximum quality in this respect, the Bank will participate actively in the various selection processes.

**Bank's country  
and sector  
strategy:**

In its support to the FTAA process, the project complies with two of the Bank's central mandates:

- to support regional economic integration in Latin America and the Caribbean as a way to: (a) strengthen the region's strategy of opening up vis-à-vis the rest of the world; (b) bolster domestic market expansion and economic growth; (c) help consolidate structural reforms in the region and (d) foster the development of stable democracies;

to support increased competitiveness by promoting freer trade in the Hemisphere.

**Special  
Contractual  
Conditions:**

(1) Retroactive financing: To allow for the efficient installation of the Secretariat in Panama, certain purchases of goods and conditions: services, specifically office furniture and equipment, will

need to be made prior to the approval of this operation. The project team recommends that purchases of such goods be eligible for funding from local counterpart financing from October 1, 2000 up to the amount of US\$320.000.

(2) Satisfactory physical operating environment for the FTAA Administrative Secretariat: Prior to First Disbursement, an agreement needs to be signed between the Hotel Caesar Park, the venue chosen for conducting the FTAA meetings in Panama, and the FTAA Secretariat, establishing the terms of reference of the Secretariat's operation on the hotel's premises. In addition, the Bank needs evidence that the Hotel has completed the previously agreed modifications to its physical infrastructure in order to allow the Secretariat to commence its operations. This evidence will be provided to the Bank through a written communication from the Secretariat Director, approved by the Tripartite Committee, accepting said modifications.

(3) Agreement between the Government of Panama and the FTAA Administrative Secretariat: Prior to the First Disbursement, the Beneficiary will need to present to the Bank, a copy of a signed agreement between the Secretariat and the Government of Panama showing that the Government of Panama has allocated to the Secretariat the counterpart resources necessary for the execution of the project.

**Conditions prior  
to Negotiations:  
Exceptions to  
Bank Policy:**

N/A.

N/A.

## **I. FRAME OF REFERENCE**

### **A. The Free Trade Area of the Americas (FTAA)**

- 1.1** At the 1994 Miami Summit of the Americas, the 34 democratic countries of the Western Hemisphere pledged to create a hemisphere-wide free trade area spanning from Northern Canada to the southern tip of Chile. Following a three year preparatory phase, formal FTAA negotiations were launched in April 1998. Governments plan to complete the talks by 2005. With a combined population of 800 million and a GDP of \$9 trillion, the FTAA will be the largest free trade area in the world and one of the most ambitious integration schemes in modern history.
- 1.2** The FTAA process is remarkable in that it has drawn together some of the richest industrialized economies with some of the least-developed countries in the world. It thus reflects a particular brand of “new regionalism” that is also prevalent in other on-going integration initiatives, including the North American Free Trade Agreement (NAFTA), the Canada-Chile free trade agreement (FTA), the EU Mexico FTA, and the planned FTAs between Canada and Costa Rica, Mexico and Japan, and the EU and Mercosur. These types of arrangements support economic transformation in participating developing countries and can confer significant benefits on the latter in terms of new market opportunities, credible market commitments with consequent investment growth, knowledge-transfer and technological development. In contrast to earlier integration schemes, and similar to the many new sub-regional trade initiatives pursued by Latin American and Caribbean countries in the 1990s, the FTAA is fully consistent with - and a natural consequence of - the outward-looking, market-oriented policy reforms that the region as a whole has been introducing since the mid-1980s. It thus forms an integral part of the structural reform process and of a regional development strategy aimed at promoting a fertile environment for private enterprise.
- 1.3** Trade, and greater trade opening, is central to that strategy. As Latin American and Caribbean countries prepare for enhanced global integration, hemispheric integration complements their unilateral and multilateral liberalization efforts. Gradual liberalization in a hemispheric context will increase competition, benefit consumers, and contribute to growth and new market opportunities in the region, with attendant benefits in terms of employment creation, social development and poverty alleviation. This, in turn, should have a positive effect on the region's trade and economic relations with the rest of the world. The new rules-based trade environment created by the FTAA should also help to consolidate (and “lock in”) policy reforms in countries with a record of policy dispersion.
- 1.4** The FTAA will be more than a simple free trade area. Its broad negotiating agenda includes traditional market access for goods, services and investment as well as intellectual property rights and competition policy, with parallel for a

addressing related issues such as electronic commerce, business facilitation the role of civil society and the concerns of smaller economies. The FTAA agreement must be fully consistent with multilateral trade disciplines as defined by the World Trade Organization (WTO), and build on the existing hemispheric network of subregional integration arrangements, eventually Co-existing with those arrangements that pursue deeper integration beyond a free trade area (e.g. customs unions, common markets).

## **B. The FTAA Negotiating Process**

**1.5** The FTAA process has been a very dynamic one from the beginning. It has also been a very disciplined process, involving specific work programs, benchmarks and political and technical reviews. Since launching the process in 1994, governments have kept their self-imposed deadlines for each of the negotiating phases, and have already achieved significant progress in moving towards their established goal. Six years into the process, the negotiations are approximately where they should be given the ten-year timeframe set out by the governments to launch the FTAA. Each phase of the process has produced concrete results:

- (a) The 1995-1998 preparatory phase brought major results in terms of documenting the current trading environment in the hemisphere. Governments established comprehensive databases and other background information on key issues affecting trade, greatly increasing the transparency of existing rules. They also agreed on the general structure and scope of the negotiations, and the rules that would guide those negotiations.
- (b) Formal negotiations were launched in 1998. The governments established nine Negotiating Groups (Market Access; Agriculture; Government Procurement; Services; Investment; Intellectual Property; Subsidies, Antidumping and Countervailing Duties; Competition Policy and Dispute Settlement) and several related Committees (Business Facilitation; Electronic Commerce; Civil Society and Smaller Economies). During the first 18 months of the negotiations, chaired by Canada and culminating in the Toronto Ministerial Meeting in November 1999, *[information deleted]* the negotiating groups produced annotated outlines for negotiations in their respective subject areas. In line with their aim to achieve concrete progress in the negotiations by 2000, governments also approved 18 new business facilitation measures (both customs-related and general) which, once implemented, will greatly facilitate business operations across the region and benefit hemispheric and international businesses alike.
- (c) In the current second phase of the negotiations, chaired by Argentina, governments are negotiating normative text for the different subject chapters, modalities and procedures for the negotiations, and the overall architecture of the future FTAA agreement, including institutional aspects. *[Information deleted]*.

- 1.6** Since the Miami Summit, the Tripartite Committee (TPC) - composed of the Bank, the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the Organization of American States (OAS) - has provided crucial technical, analytical and logistical support to the process. Trade experts from all three institutions have helped governments compile country and region-specific trade and tariff data, analyze existing trade-related norms and regulations, and prepare background papers on key issues affecting hemispheric trade. The Bank has assisted these efforts through a number of FTAA-related regional technical cooperation projects.

BANK-FINANCED RTCs SUPPORTING THE FTAA PROCESS			
<u>TC Number</u>	<u>Name</u>	<u>Year</u>	<u>IDB Financing (\$)</u>
ATN/SF-5036-RG	Support Working Groups-FTAA Denver 1995	1995	150,000
ATN/SF-5230-RG	Denver Groups – Free Trade – Phase II	1996	750,000
ATN/SF-5272-RG	Free Trade Area of the Americas (FTAA)	1996	150,000
ATN/SF-5510-RG	Governmental Purchases Task Force	1997	149,000
ATN/SF-5633-RG	Free Trade Area of the Americas (FTAA)	1997	500,000
ATN/SF-5670-RG	Support for Publishing Reports in Portuguese	1997	148,000
ATN/SF-5726-RG	Support Pro-Tempore Secretariat FTAA	1997	98,000
ATN/SF-6107-RG	Support Tripartite Committee in FTAA	1998	650,000
ATN/SF-6353-RG	Support to the FTAA Secretariat – Miami	1999	3,000,000
ATN/SF-6860-RG	FTAA Negotiations	2000	650,000

- 1.7** The success of the negotiations so far is not only the result of political vision and sustained commitment to the process among the 34 participating governments, but also of the effective negotiating structure established by governments during the 1988 San José Ministerial Meeting. According to this structure, the FTAA negotiations are overseen and managed by the Trade Ministers, who meet every 18 months to provide political guidance to the process. The Trade Negotiations Committee (TNC) - made up of the 34 Vice-ministers of Trade - is responsible for guiding the day-to-day work of the nine Negotiating Groups and related Committees and defining the overall architecture and institutions of the FTAA. A temporary Administrative Secretariat was moreover created in 1998 to provide administrative and logistical support to the negotiations.

## C. The FTAA Administrative Secretariat

**1.8** When the Administrative Secretariat was created, the FTAA Ministers determined that its operations should be funded through resources provided by the host authorities. The Ministers also solicited resources from the institutions of the Tripartite Committee. In the Santiago Plan of Action, Heads of State of the 34 FTAA countries therefore requested that “the Tripartite Committee, in particular, the Inter-American Development Bank, allocate appropriate existing resources within [their] institutions to support the Administrative Secretariat for the FTAA negotiations”. The Bank has played a key role in helping countries set up and finance the Secretariat during its first two years of operation in Miami. To this effect, the Bank approved a regional technical cooperation project in January 1999 (ATN/SF-6353-RG), which will fund the Secretariat until February 2001.

**1.9** The FTAA Administrative Secretariat has the following core functions:

- a) *Document Control*: collect, maintain and distribute all official documents of the negotiating process;
- b) *Translation Services*: translates all official documents of the FTAA negotiating process from their original into either English or Spanish and official documents into English, Spanish, French and Portuguese;
- c) *Conference Services*: provide logistical support to all FTAA negotiation meetings, including TNC meetings as required;
- d) *Interpretation Services*: provide simultaneous interpretation services during the deliberations into English and Spanish, the official languages of the FTAA negotiating process.

**1.10** In line with its core mandates, the AS has provided an invaluable service to FTAA delegations, and has played a key role in ensuring a smooth negotiating process.*[Information deleted]*.

**1.11** The TNC *[information deleted]* is officially responsible for supervising the FTAA Administrative Secretariat, including determining the size and composition of the staff and appointing the Director of the Secretariat. The current Bank project supporting the Secretariat in Miami is being executed by the Integration, Trade and Hemispheric Issues Division (INT/ITD), in cooperation with the Regional Technical Cooperation Division (INT/RTC) of the Bank. Advice on the execution is being provided by a Coordination Committee of the TPC composed of the Chiefs of INT/ITD, the Trade Unit of the OAS and the ECLAC Washington Office. In order to maximize the efficiency of the operation in Panama, the modality of execution will be somewhat modified, in that the Secretariat itself will assume the role of executing agency. These changes are described in more detail in Chapter III.

- 1.12** The Secretariat space includes both administrative offices and the meeting rooms where the FTAA negotiations take place. Following a decision by FTAA governments in San José to rotate the site of the meetings among several host cities during the negotiation process, the Secretariat will move from its current Miami location in February 2001, first to Panama (March 2001-February 2003) and then to Mexico (March 2003 - December 2004).
- 1.13** The continued operation of the Secretariat beyond February 2001, the ending date of the current regional technical cooperation, is crucial for the negotiating process. Hence, the Government of Argentina, in its capacity as Chair of the TNC and on behalf of the 34 governments in the hemisphere, has submitted a formal request to the Bank, asking it to complement local (Panamanian government) resources to support the Secretariat's operation in Panama from March 2001 to February 2003.
- 1.14** Over almost two years of receiving funds from the current Bank operation (ATN/SF-6353-RG), the FTAA Secretariat has developed into a very efficient agent for providing support to the FTAA negotiating process. It has successfully provided support in the four core areas detailed above and it has an efficient organizational structure that enables it to respond rapidly to the requirements of the FTAA delegates. As such, the current operation has successfully achieved the goal of facilitating and supporting the negotiations towards the establishment of the Free Trade Area of the Americas. This is the general conclusion reached by all Bank staff associated with the project.*[Information deleted]. (Information deleted]*.
- 1.15** In terms of lessons learned, the lack of legal status for the Secretariat in Miami, and thus its inability to act directly as the executing agency, has at times led to inefficiencies in the administration of the current Miami operation. This situation will be changed in Panama, where the secretariat will be granted temporary legal status to enable it to assume direct responsibility for project execution.
- 1.16** In addition, the desirability of having meeting rooms and Secretariat offices in close proximity to facilitate communication and rapid response to the delegates' needs was evidenced in Miami. A unified space for both negotiations and Secretariat support services has therefore been a major factor in selecting the venue for the Secretariat's operations in Panama.
- 1.17** Finally, one of the most important lessons learned from the current operation is that the FTAA process is a very dynamic one, a factor that has been taken into account in the development of the new operation. As the FTAA process matures, the rhythm of work is intensifying, *[Information delete.]*. A considerable amount of extra financing over and above that initially approved for the current operation in Miami is being provided by the local counterpart in Florida to cover the necessary increase in the Secretariat's operating expenses. The final cost of the current operation in Miami will be approximately equal to the estimated cost of the new operation in Panama.



- 1.18** A Project Completion Report for the Miami operation (ATN/SF-6353-RG), which reflects the above-mentioned conclusions, is currently being prepared.

## **II. THE PROGRAM**

### **A. Objectives**

- 2.1 The general objective of the project is to facilitate the creation of the Free Trade Area of the Americas through the provision of direct support to the FTAA negotiating process.
- 2.2 The specific objective of the project is to support the operation of the FTAA Administrative Secretariat, which provides temporary administrative and logistical support to the negotiating process. In particular, the project will support:
- a. The physical transfer of the FTAA Administrative Secretariat from Miami to Panama City; and
  - b. The operation of the FTAA Administrative Secretariat in Panama from March 2001 to 2003.

### **B. Description**

#### Transfer of the FTAA Secretariat from Miami to Panama (\$165,000)

- 2.3 The project will finance the physical transfer of the Administrative Secretariat from Miami to Panama in February 2001. This includes shipping costs for a limited amount of existing office equipment owned by the Secretariat, documents and other materials, as well as transfer costs for key Secretariat personnel transferring to Panama. The transfer of the latter is necessary due to the specialized nature of the activities of the Secretariat, the time involved in training new personnel and also to ensure the continuity of the "historic memory" of the FTAA negotiating process.

#### Support to the FTAA Secretariat (\$3,765,000)

- 2.4 The project will finance the operation of the FTAA Administrative Secretariat during its two-year stay in Panama. This includes contracting of all consultants necessary for the operation of the Secretariat, acquisition of all necessary office furniture and equipment and financing of operating expenses. This will enable the Secretariat to comply with its official mandate to provide administrative and logistical support to the negotiations, adequate translation and interpretation services, and efficient document services.
- 2.5 It is expected that the Administrative Secretariat will lend support *[information deleted]* FTAA meetings between March 2001 and February 2003. This includes all currently planned meetings of the nine negotiating groups, the Consultative

Group on Smaller Economies, as well as the Committees on Electronic Commerce and Civil Society.

- 2.6 Given the expected intensification of negotiations over the next two years *[information deleted]* there will be a requirement to increase both the physical space of the Secretariat, and the number of its staff relative to the current Miami project (allowance has been made for this in the project budget, see section 2.1 1 et seq.).
- 2.7 In terms of physical space, the TNC, in consultation with the Panamanian government and the Tripartite Committee, has chosen the Caesar Park Hotel as the future venue of the Secretariat in Panama City, following a transparent and competitive selection process. The hotel will make the requested office and meeting space available to the Secretariat free of charge. Prior to first disbursement, the Secretariat will sign an agreement with the hotel establishing mutual agreements and commitments to this effect.
- 2.8 In terms of staffing, the FTAA countries are expected to retain the present Secretariat structure, but to increase staffing as required for the reasons mentioned in section 2.6. As mentioned above, to ensure a smooth transition between Miami and Panama, some existing key staff members are expected to transfer to Panama with the Secretariat.

#### Project Evaluation and Auditing (\$50,000)

- 2.9 An intermediate evaluation mission will be carried out by the Bank after 12 months of operation of the project. As well as evaluating the progress of the project, the report of this mission will provide valuable input for preparing the transfer of the Secretariat from Panama to Mexico.
- 2.10 In addition, annual financial audits of the project will be carried out, with a final comprehensive audit on the completion of the project.

#### **C. Cost and financing**

- 2.11 The total cost of the project will be \$4.3 million. The contribution of the Bank will be \$3 million, to be financed from the net income of the Fund for Special Operations (FSO) on a non-reimbursable basis. Cofinancing resources will come from the OAS and ECLAC, and total \$100,000 and \$15,000 respectively. The Government of Panama will provide \$1,185,000 of counterpart resources and up to \$320,000 of this may be provided "in kind" *[information deleted]*.
- 2.12 IDB funds will finance the shipment of FTAA Secretariat-owned office equipment, records and material from Miami to Panama as well as the transfer costs for key Secretariat personnel transferring to Panama. They will also cover the honoraria of the Secretariat's core and other consultants, expected consultant

travel, such as travel related to new hirings, an intermediate evaluation and all necessary financial audits of the project. Cofinancing from the OAS and ECLAC will primarily be used to finance part of the translation and interpretation costs.

- 2.13 Local counterpart funding will cover all operating expenses, which include, amongst other items, purchase of office furniture and equipment, acquisition of computer hardware and software, installation and operation of a telephone system and office administration expenses.
- 2.14 It should be emphasized that all countries participating in the FTAA process incur considerable expenses with respect to the negotiations. Countries will finance the preparations of their delegations, and travel and per diem for continuous rounds of negotiations in Panama. They will also incur considerable costs in relation to the Ministerial and TNC Vice-ministerial meetings. *[Information deleted]*. In sum, the financial burden of the FTAA process is relatively high for the countries of the region, and particularly for the smaller economies.
- 2.15 The private sector is also expected to provide in-kind support to the process. The Panamanian government is currently working with the Inter-Institutional Commission for the Establishment of the FTAA Secretariat in Panama to obtain non-project related private sector contributions to the FTAA process. It should also be emphasized that the Hotel Caesar Park, as the chosen venue of the Secretariat in Panama, will make substantial in-kind contributions to the project in terms of cost-free meeting and office space for the FTAA negotiations.

## **II. PROGRAM EXECUTION**

### **A. Program Execution and Administration**

- 3.1 Given the nature of the FTAA negotiations, it is of crucial importance that the program be executed in a way that ensures the smooth operation of the Secretariat and the maintenance of direct communication links between the Secretariat, the FTAA Chair, the Bank and the other Tripartite Committee members. The program will therefore be executed directly by the Administrative Secretariat of the FTAA. In order to enable the Secretariat to act as the program's executing agency, the governments of the 34 countries participating in the FTAA process have agreed to seek temporary legal status for the Secretariat under Panamanian law. Legal status will be granted via an Executive Resolution issued by the Panamanian Ministry of Foreign Affairs. The Panamanian government is currently in the process of issuing this resolution. It should be emphasized that legal status will be of a temporary nature and for purely administrative reasons, namely to facilitate the process of project execution during the Secretariat's Panama phase (2001 -2003).

- 3.2 The Secretariat is in an excellent position to assume responsibility for executing the program. In the current Bank operation supporting the Secretariat's "Miami phase" (ATN/SF-6353-RG), which is being executed directly by the Bank, the Secretariat is already actively involved in all operational activities - from budget management, hiring of consultants and purchasing of equipment to the preparation of financial and progress reports. The Secretariat has thus fully familiarized itself with the Bank's operational procedures and has demonstrated its capacity to assume all major functions of project execution. Despite its lack of legal status so far (which partly explains why the Bank assumed execution responsibility in Miami), the Secretariat has always operated according to a well-defined structure *[information deleted]*.
- 3.3 Program administration and general supervision will be the responsibility of the Bank's country office in Panama (COFICPN). COFKPN will consult closely with the Bank's Integration, Trade and Hemispheric Issues Division (INTATD) and the TPC Coordination Committee on all technical matters.
- 3.4 As with the present operation, as mentioned in Section 1.1 I , the TNC *[information deleted]* will be officially responsible for supervising the Secretariat. Advice on execution will continue to be provided by a Coordination Committee of the TPC composed of the Chiefs of INT/ITD, the Trade Unit of the OAS and the ECLAC Washington Office.

## **B. Monitoring, Reporting and Evaluation**

- 3.5 The Executing Agency will submit the following reports to the Bank:
- a. Every six months, an Execution and Planning Report.  
This contains three sections:
    - Execution: information on the semester just completed with respect to: (i) the Secretariat's activities, indicating both achievements and problems encountered, with their solution; (ii) the performance of all consultants hired, and (iii) the execution of the budget by category and source of financing;
    - Work Plan: information on the upcoming semester with respect to: (i) all activities planned by the Secretariat, including the calendar of negotiation meetings, and (ii) an estimate of resource requirements to fulfill the work plan;
    - Financial Plan: information on the upcoming semester with respect to: (i) a comprehensive and detailed budget for the following six months, by category and source of financing; (ii) if necessary, requests for budget transfers. and; (iii) any further explanation that may be necessary to understand the budget planning exercise.

- b. A final report, within the last 60 days of the execution period, summarizing the Secretariat's activities during its Panama phase and the application of funds contributed by the Bank and Counterpart sources.
- 3.6 The Executing Agency will also arrange for annual financial audits of the project with a final audit to be conducted upon completion of the project. These audits will be conducted by an independent auditing firm approved by the Bank.
- 3.7 In addition, an intermediate evaluation mission will be carried out by the Bank after 12 months of operation of the project. The Bank will also produce a Project Completion Report (PCR), on completion of the work in Panama.

### **C. Execution and Disbursement Schedule**

- 3.8 The execution period is 24 months. The Bank will establish a revolving fund corresponding to 15% of the total IDB contribution. This fund will enable the Director to complete the transfer of the Secretariat from Miami to Panama and to hire and pay all necessary staff in a timely manner. The fund will be replenished depending on the appropriate justification of expenses.
- 3.9 The OAS contribution will be paid in two annual installments, \$50,000 in 2001 and \$50,000 in 2002. The ECLAC contribution of \$15,000 will be paid in one installment in 2001. Both OAS and ECLAC contributions will be disbursed to the Secretariat via the IDB.
- 3.10 Panama will provide 60% of its contribution in the first year of the project (fiscal year 2001) and 40% in the second year (2002). This corresponds to \$71 1,000 and \$474,000, respectively. If, for administrative reasons, the contribution in 2002 cannot be used to finance remaining costs incurred by the Secretariat during its final two months in Panama (January and February 2003), then the Panamanian contribution will be split into three parts (60% in 2001, 35% in 2002 year and 5% in 2003).
- 3.11 It is important to note that Category 2 of the budget, "Operating Expenses", includes a substantial amount for the purchase of office furniture and equipment, all of which will have to be purchased prior to commencement of the Secretariat's operations in Panama (the furniture and equipment currently used in Miami by the Secretariat was provided by the private sector and cannot be transferred to Panama). Such purchases must be done at the latest in January 2001 and possibly before in order not to delay the opening of the Secretariat on March 1. Since Panama's regular contributions to the project will not become available until February 2001, the government has requested an amount of \$313,800 out of its 2000 budget as "exceptional funding" for the purchase of FTAA Secretariat equipment and furniture. This amount, which would cover expenses incurred prior to approval of the project, will be recognized as part of the local counterpart funding of the project and will be considered as part of Panama's 2001 contribution.

## **D. Procurement**

- 3.12 The contracting of all consulting services and the acquisition of goods and services will be carried out by the Executing Agency in accordance with the Bank's policies and procedures in these matters. Due to the specialized nature of the activities of the Secretariat and the time involved in training new staff, and also to ensure continuity of the FTAA negotiating process, some key Secretariat personnel presently providing services in Miami are expected to transfer with the Secretariat to Panama. These consultants have already passed through a competitive process of selection in accordance with the Bank's rules and procedures, and as such, their contracts will be renewed without the need for a further competition. All new hires will be contracted following the Bank's standard rules and procedures.

## **IV. BENEFITS AND RISKS**

### **A. Benefits**

- 4.1 The FTAA negotiating process is complex and strenuous, but promises to yield important benefits in terms of its final aim. The continued operation of the FTAA Administrative Secretariat, which has provided crucial support to the process so far, will ensure that the process can continue on track.
- 4.2 Through its provision of document, translation, interpretation and conference services, the Secretariat provides the necessary infrastructure for the FTAA negotiations while allowing participating countries to dedicate their (often limited) financial and human resources to the substance of the negotiating process. The Secretariat guarantees internal transparency by ensuring that all documents are circulated to the relevant delegates in each of the negotiating groups. It also provides a level playing field for all the countries participating in the FTAA negotiations by ensuring that documentation is distributed in both negotiating languages. In this respect, the Secretariat is of particular benefit to the smaller economies in the region, whose costs of participating in the process would be unmanageably high if they could not count on the services of the Secretariat. In its capacity as the official archive of the negotiations, the Secretariat is moreover responsible for preserving the legislative history of the process, which will later serve to interpret hemispheric implementation of the final treaty. Finally, in addition to the Bank's membership and active participation in the Tripartite Committee, the program will strengthen the Bank's role as an important facilitator in the process of regional economic integration.

### **B. Risks**

- 4.3 The success of the Secretariat will hinge to a considerable extent on the professional skills of its personnel to facilitate FTAA negotiations logistical and administrative support. To ensure maximum quality in this respect, the Bank will

participate actively in the various selection processes and will continue to do so during the Secretariat's Panama phase.

### **C. Environmental impact**

- 4.4 Because of the nature of the program, no adverse environmental impact is foreseen. The project document was reviewed by the CESI/TRG in its meeting no. 35/00 of September 22, 2000 and no comments or observations were made.

### **D. Institutional Feasibility**

- 4.5 Due to the fact that the FTAA Administrative Secretariat has been satisfactorily providing services analogous to those required under this operation, and under similar conditions, during the two years that the FTAA negotiating process has been located in Miami, no problems of an institutional nature are foreseen. Indeed, the fact that the Secretariat in Panama will have temporary legal status under Panamanian law will facilitate the processes of contracting consultants and acquiring goods and services by making them more direct.

### **E. Beneficiaries**

- 4.6 The beneficiaries will be the 34 countries participating in the FTAA process.

### Logical Framework

#### Support for the Administrative Secretariat of the Free Trade Area of the Americas (FTAA) Panama 2001-2003

Program	Indicators	Means of Verification	Assumptions
<b>Objective:</b> To support the creation of the Free Trade Area of the Americas (FTAA)	1. Increased international trade and investment flows among the countries of the Hemisphere and with third countries.	1. Trade and investment statistics.	A global economic environment which is conducive to trade liberalization.
<b>Purpose:</b> To provide support to the FTAA Negotiations through temporary administrative and logistical support to the process.	1. Logistical support for <i>[information deleted]</i> , FTAA meetings between March 2001 and February 2003	1. Activity reports each semester, together with a final report.	Within the Hemisphere, a political commitment to the negotiation process, including economic policies which are compatible with the future FTAA.
<b>Products:</b>  FTAA Administrative Secretariat moved from Miami to Panama  FTAA Administrative Secretariat established and functioning in an effective and efficient manner towards the project's purpose.	1.1 FTAA Administrative Secretariat physically installed in Panama City 2.1 Effective and efficient organization of translation and interpretation services for the meetings 2.2 Effective and efficient coordination of the meetings' logistics, including venues, equipment, document copies, etc. 2.3 Timely reproduction of documents and effective and efficient organization of a comprehensive FTAA filing system.	1.1 Physically inspection by COF/CPN specialist. 1.2 Activity reports and feedback from FTAA delegations members. 1.3 Periodic reviews by the TNC's Budget Committee. 1.4 Mission reports from the regular TPC visits to the Secretariat as part of the support for the negotiations.	Availability of top quality external services
<b>Activities:</b> 1. Moving the FTAA Administrative Secretariat equipment, documents, materials and some existing staff from Miami to Panama 2. Purchase of goods and services for installation and functioning of the FTAA Administrative Secretariat in Panama 3. Hiring additional FTAA Administrative Secretariat personnel in Panama	Budget performance	Activity reports; financial reports	Non-IDB financial contributions are made in accordance with the projects' co-financing scheme.