

SUPPORT OF AGRICULTURAL TRADE THROUGH THE HARMONIZED REGIONAL APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES

(TC-01-12-00-3-RG)

EXECUTIVE SUMMARY

Executing agency:	Regional International Organization for Plant Protection and Animal Health (RIOPPAH)
Beneficiaries:	The principal beneficiaries are: (i) small- and medium-scale enterprises in the selected localities that will participate directly in business promotion and production development activities; (ii) private companies that will benefit from regional harmonization of sanitary and phytosanitary measures in the different countries; and (iii) public agencies involved on a regional and national level in the administration of sanitary and phytosanitary measures, health and foreign trade agencies.
Objective:	The general objective of the program is to help improve trade in agricultural products in the countries of the Puebla-Panama Plan (PPP), through the harmonization and improvement of a regional system for application of sanitary and phytosanitary measures and the strengthening of regional coordination of the agrosanitary operating structures in each country.
Description:	<p>The program consists of three components intended to achieve its purpose:</p> <ul style="list-style-type: none">(i) Component I: Regional strengthening of sanitary and phytosanitary services. This component will support the design and implementation of a regional system to create effective, harmonized agrosanitary structures, procedures and mechanisms.(ii) Component II: Regional harmonization of sanitary and phytosanitary regulations. This component will support the harmonization of operating mechanisms related to import, export and inspection procedures that will facilitate regional trade and establish and implement regional criteria for sanitary and phytosanitary services and border requirements.

- (iii) **Component III: Promotion of the harmonized regional food safety system.** This component will support the preparation of a harmonized regional system of food safety.

The Bank has financed a variety of national programs to support technical capacities related to sanitary and phytosanitary measures in Panama, El Salvador, Belize, Guatemala, Honduras and Nicaragua. This program is regional in nature and will take the activities of these national programs into account, which have either been carried out or are underway, to ensure their complementarity, consistency and coordination. Through the Program Director (see Chapter IV), coordination ties will be established with the officials responsible at the applicable ministries to coordinate activities related to training, technical studies and other programs for technical support of the national projects and of this regional program to ensure the complementarity of the activities.

The regional work to be performed by RIOPPAH will specifically take into account additional initiatives and efforts carried out within the framework of Central American regulations on sanitary and phytosanitary measures and efforts to advance the customs union in the region.

Amount and source:	IDB (MIF-Facility I):	US\$ 1,510,000
	Local contribution:	<u>US\$ 634,000</u>
	Total:	US\$ 2,144,000
Terms:	Execution period:	36 months
	Disbursement period:	42 months
Environmental and social review:	The project was reviewed and approved by CESI on 26 April 2002 (TRG 17-02) without comments.	
Special contractual conditions:	As conditions precedent to the first disbursement of the contribution, RIOPPAH shall present, to the satisfaction of the Bank, evidence: (i) that it has hired a program director (paragraph 4.3); (ii) that the working plan for the first six months of program execution has been submitted (paragraph 4.5); and (iii) the cooperation agreements between RIOPPAH and each participating country are in effect (paragraph 4.7).	
Exceptions to Bank policy:	None.	

I. COUNTRY AND PROGRAM ELIGIBILITY

- 1.1 This proposal for regional technical cooperation includes the following eight countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama. These countries are eligible for all MIF financing modalities. The program satisfies the eligibility criteria for financing under the Technical Cooperation Facility because it contributes to increasing product trade among these countries and outside the region. In addition, MIF support is essential to ensuring the participation of all the countries of the Puebla-Panama Plan (PPP) in the process of harmonizing sanitary and phytosanitary measures. This regional program, under the PPP framework, will be supplemented by and coordinated with national sanitary and phytosanitary measures operations that the Bank is financing or has financed in the PPP region in Panama, El Salvador, Belize, Guatemala, Honduras and Nicaragua.
- 1.2 Regional eligibility of this operation is based on the following: (i) the technical cooperation inputs are aimed at achieving a common goal for all the beneficiary countries, i.e., the harmonization of sanitary and phytosanitary measures in the agricultural sector; and (ii) the program provides for horizontal cooperation between the beneficiary countries of the operation.

II. BACKGROUND

A. The Puebla-Panama Plan (PPP)

- 2.1 The Puebla-Panama Plan (PPP) will support a series of projects in Central America (from southern Mexico to Panama) to capitalize on the human and environmental advantages of the region. One of the goals of the PPP is to promote regional integration through projects that facilitate trade, investment and institutional reforms. While the entire hemisphere is experiencing growth in integration driven by technological changes and trade liberalization, Central America has yet to fully benefit from this trend due to low national and regional institutional abilities, a weak regional trade system, the absence of trade-related regional organizations and trade standards, and numerous technical and regulatory obstacles to regional trade.
- 2.2 Nevertheless, progress has been made in integration and free trade agreements that the PPP countries have negotiated and signed among themselves during the last 10 years. Furthermore, the current negotiations on the Free Trade Area of the Americas (FTAA), which will be concluded towards the end of 2004, also create greater incentives to accelerate regional integration and harmonization.
- 2.3 One significant ongoing challenge is to implement specific actions so as to take advantage of the opportunities created by these trade agreements. The existing and proposed intraregional trade agreements show that there is already a movement towards greater integration, even when requiring unification and application of

numerous procedures, regulations and processes associated with the transfer of goods across borders. The harmonization of procedures and the adoption of practical actions will strengthen the integration agreements in the Central American Common Market and in the free trade agreements among the countries of Central America and Mexico. This is essential to the future expansion of regional trade and integration.

- 2.4 The framework of the World Trade Organization (WTO) and its various agreements provide the countries of the region with a good context for reducing and eliminating non-tariff trade barriers. But there are also many obstacles to achieving full implementation of some of these agreements. Specifically, effective application and regional coordination of sanitary and phytosanitary measures is an immediate necessity. The technical infrastructure, human capital and regional coordination required to proceed with full implementation of the WTO's sanitary and phytosanitary measures agreement are limited in Central America. The organization and operating capacity of the agricultural quarantine services also vary from one country to the next (see Component II). Likewise, at customs offices and border passes there is limited technical ability to perform effective inspections and verifications of sanitary, phytosanitary and food safety information. Another problem in agricultural products trade is the diversity of procedures and requirements established for the exchange of products internal and external to the region (see Component II).
- 2.5 These shortcomings are being discussed within the framework of the FTAA negotiations. The eight Puebla-Panama Plan countries participate actively in the negotiations and in this framework are preparing to move forward on the hemispheric level with full implementation of the WTO's sanitary and phytosanitary measures agreement. The Bank is also financing, or has financed, national operations to strengthen the national capacities of Panama, El Salvador, Belize, Guatemala, Honduras and Nicaragua. This regional program will seek to complement and act in coordination with these national operations. In this way, the program will contribute to ensuring that trade opportunities that develop from negotiations or implementation of trade agreements are not limited by technical reasons related to sanitary and phytosanitary measures. It is important to note the significance that trade opportunities have in contributing to the economic and social development of the beneficiary countries.

B. Sanitary and phytosanitary measures

- 2.6 Sanitary and phytosanitary measures consist of standards to protect animal and plant health and food safety, and the respective technical requirements. The World Trade Organization's Agreement on the Application of Sanitary and Phytosanitary Measures establishes basic multilateral standards on these matters. The sanitary and phytosanitary measures agreement also aims to conform the regulations with

international practices or to adopt regulations that comply with the standards of relevant international organizations.

- 2.7 Within the framework of the prevention, control and eradication of the diseases and blights that affect agriculture and livestock, countries traditionally used tools and measures that, far from facilitating international trade, introduced obstacles. This was the case, for example, with the application of criteria such as “zero risk”, which indiscriminately prohibited the entry into any country of animals, plants, products and byproducts originating from other countries considered potential transmitters of blights and diseases.
- 2.8 With establishment of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, in addition to regulating protection of the agricultural sector, international agricultural trade concerns are also regulated within the framework of health regulations. The sanitary and phytosanitary measures agreement recognizes the universal right of countries to protect their own health.
- 2.9 It is important to emphasize that these health regulation factors have a direct relationship to other technical and scientific fields. This is the case with the growing concern about “healthy food” destined for human and animal consumption. This subject is imposing new conditions and restrictions on trade in agricultural products. It is clear that countries that do not take adequate steps to establish appropriate systems to offer safe, high quality food run the risk of becoming isolated from those that have already done so. However, the regional vulnerability of the PPP countries to natural disasters puts them in a relatively unfavorable position for agricultural production.
- 2.10 As previously noted, the majority of the PPP countries have serious limitations on technical resources that restrict their ability to implement sanitary and phytosanitary measures and agreements. There are also significant weaknesses in institutional capacity and legal instruments. On the regional level, coordinated application of sanitary and phytosanitary measures must be started as soon as possible given that the countries of the PPP form a very homogenous region in terms of the factors that affect animal and plant health and food safety. These problems and limitations have caused obstacles to the trade of goods and services in the region, and currently are factors that affect agricultural and food exports from the region to the rest of the world. This has resulted in forgoing trade and investment opportunities.
- 2.11 It is also important to note that activities related to agriculture and livestock, and also to the trade in derivative products of this sector, are fundamental areas that must be considered in the development of commercial trade opportunities in the PPP region. Therefore, coordinated regional application of sanitary and phytosanitary measures is of paramount importance. The technical weaknesses and lack of a regional system for application of these measures are a central obstacle to greater integration in the region. This program will concentrate its efforts on

contributing to the formulation of an integrated regional system that makes it possible to standardize these measures and thus facilitate trade.

- 2.12 Despite efforts by the agricultural health institutions of the region's countries, much work remains to be done to consolidate an agrosanitary and food safety system capable of efficiently responding to current quality demands in an increasingly rigorous trade regulatory environment. In addition, the presence of food-borne illnesses must be avoided through the implementation of modern inspection and control systems. These are not yet available on a regional basis or in the majority of the region's countries. The situation is further complicated when government agrosanitary resources, which are scarce to begin with, tend to diminish over time.
- 2.13 Trade opportunities also result in new measures that are increasingly difficult for the countries of the region to satisfy. More developed countries, for example, are exercising greater health and quality control on imported food of an agricultural nature. New markets will certainly have similar or more stringent conditions. For the countries of the Puebla-Panama Plan, complying with these standards is especially difficult when natural disasters occur, given that under those conditions it is impossible to guarantee food safety for internal consumption and for export.
- 2.14 The challenges of complying with sanitary and phytosanitary requirements are especially marked in the case of small- and medium-scale enterprises that lack technical knowledge and understanding of the requirements in this area for exporting or importing. The program includes specific training and technical assistance activities for small and medium-scale companies concerning the regional outlook for sanitary and phytosanitary measures and the opportunities that will be created through the harmonization of a regional system.
- 2.15 Despite these problems, there are also significant opportunities and advantages for working on these problems. They include:
 - a. Loan programs, on a national level, that the Bank already began for sanitary and phytosanitary measures in Panama, El Salvador, Belize, Guatemala, Honduras and Nicaragua to strengthen infrastructure and technical capacity with regard to the national application of sanitary and phytosanitary measures. This regional program will coordinate with actions already begun on a national level.
 - b. The regional work that RIOPPAH will do will specifically take into account additional initiatives and efforts made within the framework of Central American regulations on sanitary and phytosanitary measures and efforts to advance customs unity in the region. Genuine interest exists among the countries of the region in intensifying their cooperative ties and increasing the level of regional integration, including the creation of a common market.

- c. Possibility of increasing the region's foreign trade, supported by free trade treaties and a better transportation infrastructure.
- d. The degree of technology used in agriculture is relatively low and there is ample room to improve technical capacity, develop integrated sanitary and phytosanitary measures systems and define common regional goals.
- e. These considerations show that this regional program contributes to the integration of the PPP countries and may take place within the framework of regional integration, harmonization and strengthening of agricultural health and domestic and foreign trade.

C. Relationship and coordination with national sanitary and phytosanitary measures programs financed by the Bank

- 2.16 As noted in this document, the Bank has financed various national programs to support infrastructure and technical capacity related to sanitary and phytosanitary measures.¹ These programs have been implemented in Panama, El Salvador, Belize, Guatemala, Honduras and Nicaragua. This program is of a regional nature and will take into account the activities of these national programs, whether already performed or underway, to ensure the complementarity, consistency and coordination of activities. In particular, through the Program Director (see section IV) coordination ties will be established with the responsible officials of the ministries involved to coordinate activities related to training, technical studies and other technical support programs of the national projects and of this regional program to ensure complementarity of activities.
- 2.17 The Regional International Organization for Plant Protection and Animal Health (RIOPPAH) was established as a permanent organization in 1953. Today its members are Mexico, Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. Its functions include supporting the plant and animal systems in the region, and in this role it has become a highly respected regional organization. It is involved on the regional and international levels and has ties with the most important international organizations in this area. RIOPPAH has a great deal of work experience in administering bilateral and multilateral cooperation programs, private sector inspection services, and implementing loans for countries. Its Board of Directors comprises the ministers of agriculture of the region, and it works regularly with the ministries of agriculture, health, foreign trade and national animal and plant health organizations.

¹ There are also other loans (e.g., Agribusiness Reengineering Project 1327/OC-ES in El Salvador) that have sanitary and phytosanitary components and with which there will be coordination.

III. PROGRAM OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The general objective of the program is to contribute to the improvement of agricultural product trade in the countries of the Puebla-Panama Plan. The purpose of the program is to harmonize agrosanitary requirements and strengthen the agrosanitary operating structures in these countries.
- 3.2 This objective will be achieved through execution of the following components: (i) regional strengthening of sanitary and phytosanitary services; (ii) regional harmonization of sanitary and phytosanitary regulations; and (iii) promotion of a harmonized regional system for food safety.

B. Components

Component I: Regional strengthening of sanitary and phytosanitary services (MIF US\$151,280/Counterpart US\$108,820)

- 3.3 This component will promote a regional system to provide effective, harmonized agrosanitary structures, procedures and mechanisms. The official agrosanitary institutions in these countries have made positive movements, transformations and operating changes to respond better to the current global reality. The executing agency, RIOPPAH, has collaborated significantly in this area, but a much more active, immediate response regional process must be developed in which the majority of civil society and other interested parties in each of the region's countries are involved.
- 3.4 To strengthen the institutional ability to coordinate the application of sanitary and phytosanitary measures regionally, the technical and administrative tools of the national institutions of the eight countries that enable the effective application of standards, directives and operating mechanisms will be evaluated. Training in modern technology and management of specific topics will be financed, and regional dissemination activities to producer associations and other community groups will be developed. In order to implement this training, criteria will be developed ensuring that the training involves the officials and private sector participants that are most needed. Ties and objectives that complement the training will be established under national programs financed by other Bank projects.
- 3.5 Technical studies will be financed to analyze the characteristics of the health organizations in each country, identifying their strengths and weaknesses in order to make a proposal for harmonization of functions on the regional level. Once the study is prepared, harmonized and consistent proposals will be defined and formulated regarding the structures for the sanitary and phytosanitary services of the countries. This activity will take into account different health policies and

models employed, legislation, and commitments assumed under multilateral and regional trade agreements, with suggestions on forms of work that will ensure that the efforts currently underway can complement one another and thus optimize the resources invested, including those from national loan programs financed by the Bank. In addition, the areas that need to be improved and restructured will be identified.

Component II. Regional harmonization of sanitary and phytosanitary regulations (MIF US\$490,200/Counterpart US\$287,240)

- 3.6 This component will support the regional harmonization of operating mechanisms for import, export and inspection procedures. Given the variety of procedures and requirements involved in the trade of agricultural products, technical studies will be prepared to harmonize all procedures and requirements, which will permit trade flow without significant obstacles or impediments. The main objectives are to facilitate regional trade and establish and implement regional criteria for sanitary and phytosanitary services and border requirements based on the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. This will include directives, certificates, forms, procedures, administration, auditing and technical training.
- 3.7 Activities will also include the analysis of new technologies available for inspection and quarantine procedures, the definition of accreditation criteria for providing sanitary and phytosanitary services, the definition of inspection, control and approval procedures, and the creation of the regional information system on quarantine requirements. Administrative measures and processes, which will be coordinated on a regional basis, will be managed at a regional information center at RIOPPAH to offer interested parties from the private sector and parties responsible for sanitary and phytosanitary measures the information and technical requirements needed for movement of goods within the region.
- 3.8 This component will finance consulting services for examination of control and approval procedures for the import and export of agricultural products. At present some countries have not yet defined or regulated other procedures, so harmonization of these procedures in all countries of the region will also be evaluated. This component will finance consulting services for the review of sanitary and phytosanitary legislation related to the import and export of agricultural products in each country to identify their similarities and dissimilarities and thus determine the levels of regional harmonization.
- 3.9 Based on the results obtained, consulting services will be used to prepare a proposal for harmonized regional legislation. The proposal will be presented to representatives of the agricultural private sector and the government of the countries for promotion and implementation.

- 3.10 This component will also finance consulting services for preparation of a modern version of regional manuals on supervision, inspection, quarantine treatment, technical auditing and quality management procedures. These manuals will be published and distributed to the agencies involved in this field. This activity will include implementation of the manuals, through the development of eight training courses for agricultural quarantine techniques in each of the countries (12 agricultural quarantine officials and 12 SITC officials from the countries).
- 3.11 Consulting services will also be used to design a regional information system. This regional system will permit electronic management of the forms used for agricultural product import and export procedures, as well as access to the respective information on the plant and animal health requirements of third party countries with which trade is desired. After reaching a consensus on the design and structure of the system, two programmers will be contracted to implement the information system on a regional level. These programmers will adapt the system so that it is available to the public. In order to ensure its operation, the program provides for eight workshops to train the technical personnel of each country in the operation of the system and to promote it to interested parties. The workshops will be given by the contracted consultants, with the collaboration of the RIOPPAH IT Unit.
- 3.12 The fifth activity of this component involves training the public and private sectors about sanitary and phytosanitary measures aspects of regional trade in agricultural products. The project will include a two-day regional seminar/workshop that will be attended by one hundred participants from the public, private, academic and civil society sectors to discuss the topic of PPP regional and international trade and agricultural health in the region. In addition, to ensure that there will be opportunities for other public interested parties in each participant country, the project will include seven seminar/workshops on the same topic for fifty participants from private companies and the public sector in each country. All seminar/workshops will have a registration fee for participation in the events. The resources obtained from services offered through the program will be used to continue those services after completion of this program financed by the MIF.
- 3.13 As regards the organization and operating capacity of agricultural quarantine services, consultants will review the technology and tools used, the mechanisms and techniques involved in inspection and handling of agricultural products, with a view to promoting the incorporation of new technologies for quarantine treatments. The results or activities that may be carried out by other programs on a national level financed by the Bank will be taken into account. New technologies will be reviewed related to the use of new quarantine treatment techniques for agricultural products and byproducts (hydrothermal, irradiation, and laser treatments, among others). Finally, the program will introduce the use of the manuals, mainly in those quarantine posts located within the "health corridor".

**Component III. Promotion of the harmonized regional food safety system
(MIF US\$466,820/Counterpart US\$184,330)**

- 3.14 This component will support the preparation of a harmonized regional system and coordination of the establishment of national systems that ensure food safety, with regard to domestic consumption, and also regional and international trade. In order to avoid malfunctions in a food safety guarantee system, it is necessary to establish an organizational model for common reference on a regional level that clearly assigns responsibilities and powers related to food control management to ensure its safety. In addition, there must be associations and interlocutors that are well known in the producer/processor sector so as to achieve acceptable levels in implementing the system known as Hazard Analysis Critical Control Points (HAACP), for both conceptual and economic reasons.
- 3.15 One of the activities of the component will finance consulting services for the preparation of a proposal to create a coordinated regional food safety system within the agricultural health structures of the region's countries. In order to reach consensus among the different sectors involved, the proposal will be presented at eight national meetings.
- 3.16 In food regulation one frequently finds highly regulated environments coexisting with others whose regulatory base is insufficient or nonexistent, which typically results in legal insecurity and lack of food safety. Therefore, one of the activities of this financial component will be to finance consulting services to harmonize legislation on food inspection procedures and good production and manufacturing practices.
- 3.17 Consulting services will also be provided for technical studies to adapt the harmonized regional legislation on a national level and to present the proposed legislation to the public and private agricultural sectors of each country and gather their observations and recommendations.
- 3.18 To promote the creation of a harmonized regional food safety system in each country, activities will be included that disseminate the importance of food safety through direct seminars with agricultural food product producers, agricultural and public health sector authorities, and pilot groups selected from civil society.
- 3.19 In addition, the creation of associations between the different sectors of civil society, producers and agro-exporters will be promoted at meetings designed for that purpose. One meeting per country is planned, which will be facilitated by the Executing Unit (see section IV) with support from the RIOPPAH offices in each country and officials from RIOPPAH headquarters. To assist in the dissemination of information, three-page leaflets will be published on the food safety system, inspection procedures, regional standards, critical control points and associations.

This will promote the exchange of information and mutual collaboration among the countries of the region on food safety.

- 3.20 In view of the fact that this is a new topic and that many preconceptions still exist about food safety, another activity of this component will be sensitizing the sectors involved in the agro-food chain and civil society in general. A promotion campaign will be held that will include, among other items, the publication of bimonthly bulletins and newspaper releases, and technical and scientific documents.
- 3.21 The program will also include training courses with key personnel from the public and private sectors involved in ensuring food safety on the regional level. Local experts will be hired to organize, develop and facilitate a program of two courses in each country for a total of 16 training events to be attended by 50 representatives from all the sectors involved in the agro-food chain. Consultants will be hired to develop sector guides on good agricultural practices and good manufacturing practices within the environment of the PPP region. Case studies and lessons learned by producers and industries will also be included.

IV. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing agency

- 4.1 The Regional International Organization for Plant Protection and Animal Health (RIOPPAH) will serve as the executing agency and will be responsible for the local counterpart contribution. RIOPPAH was created in 1953 through an agreement signed by representatives of Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama and Belize. Some of its goals are: (i) to promote the modernization and strengthening of protection and agricultural health structures in the member countries; (ii) to agree upon actions for the prevention, control and eradication of blights and diseases with a socioeconomic impact; (iii) to develop training and dissemination programs; (iv) to advise on the harmonization of laws, regulations and other agrosanitary standards; and (v) to support the opening of trade.
- 4.2 The highest authority of RIOPPAH is the Honorable Regional International Committee for Plant Protection and Animal Health (H. CIRSA), which is made up of members of the ministries/departments of agriculture and livestock of the member countries. Its policies and decisions are enforced by RIOPPAH under the leadership of the executive director of the organization. Under this committee there is also a technical committee of the H. CIRSA that is made up of the directors of animal and plant health from each country. There is an office in each of the member countries that coordinates the technical and administrative activities for each Country Office, through specific personnel hired for that purpose.

B. Execution mechanism

- 4.3 RIOPPAH will arrange for the procurement of goods and services and the contracting of consulting services needed to execute the program in accordance with applicable Bank and MIF procedures and policies.
- 4.4 In order to execute the program, RIOPPAH will hire a program director, an administrative assistant and a secretary. The director will be responsible for: (i) management of the program activities according to the action plan; (ii) procurement of goods and services; (iii) supervision of the contracted consultants; (iv) monitoring operations and budget management, using established procedures; (v) processing requests for disbursement of the Bank's contribution; (vi) preparation of statements of the funds used; (vii) submission of administrative and technical reports to the Bank; (viii) coordination of necessary actions with other agencies working in this area; and (ix) coordination of activities to ensure consistency and complementarity with other sanitary and phytosanitary measures programs of a national nature financed by Bank loans to countries in the region. The director will be supervised by the executive director of RIOPPAH.
- 4.5 Prior to the first disbursement, RIOPPAH will prepare a working plan in consultation with the Bank's experts, including those of the Country Office, the Bank's Integration and Regional Programs Department (INT), and the MIF. This plan will cover each activity and the training plans. The training provided relates to application of the procedures contained in each of the manuals that are prepared and are provided by RIOPPAH through its Country Offices in each country, developed by the respective national coordinator of the program. These plans will be consistent with other programs of the Bank.
- 4.6 Each product of the initiative will be reviewed by the Technical Committee and H. CIRSA for their approval. Once the proposal for requirements, legislation or any other matter that requires approval is prepared, it will be sent to each national technical director in each country for review. Then, during an initial meeting with both committees, the proposal will be discussed and analyzed, and observations will be incorporated so that, with the modifications made, the documents can be submitted at a second meeting for final approval. The Technical Committee and the H. CIRSA will also check for consistency and coordination of activities between this program and other national sanitary and phytosanitary measures programs financed by the Bank.
- 4.7 RIOPPAH maintains a close working relationship with the ministries of agriculture of the countries that are party to the PPP. To ensure the appropriate execution of activities, prior to the first disbursement RIOPPAH will sign a letter of agreement with the ministries of agriculture of each country in the PPP. This agreement will clearly set forth a mutual commitment to cooperate in execution of activities requiring interinstitutional cooperation among the parties.

- 4.8 **Progress Reports:** RIOPPAH will be responsible for preparation of semiannual progress reports documenting the activities performed during the previous six months, and will prepare a working plan and a disbursement schedule for the next period based on the indicators of the logical framework of the program. These reports will be presented to the Bank's Country Office in El Salvador for approval within the 60 days following the end of each six-month period. The progress reports will include a reference to the coordination of activities between this program and other national sanitary and phytosanitary measures programs financed by the Bank. The Country Office will also be responsible for providing a report to the MIF three months after the conclusion of the program, stating its results.
- 4.9 The program execution period will be 36 months, and the disbursement period will be 42 months. The Bank will establish a revolving fund for a maximum of 10% of the total amount approved, based on the expenditure program that RIOPPAH presents for the Bank's approval.
- 4.10 **Accounting and Auditing.** RIOPPAH will maintain adequate internal accounts and financial control of the program funds. The accounting system will be organized to provide the necessary documents, enable verification of transactions and facilitate the timely preparation of financial statements and reports. The program files will be set up so that: (i) the amounts received from different existing sources are identified; (ii) there are reports on program expenses based on a chart of accounts approved by the Bank, making a distinction between MIF contributions and funds from other sources; and (iii) the details needed to identify the goods and services purchased are included, as well as the use of these goods and services. RIOPPAH will also: (i) open separate, specific bank accounts for the administration of the MIF contribution and the local counterpart funds; (ii) process disbursement requests and the respective expense vouchers according to the Bank's procedures on disbursements; and (iii) present to the Bank annual financial statements and one final financial statement audited by an independent firm acceptable to the Bank concerning program costs, and semiannual financial reports on the status of the revolving fund.

V. COST AND FINANCING

- 5.1 The total cost of the program has been estimated at US\$2,144,000, divided as follows: (i) US\$1,510,000 from the Bank using nonreimbursable MIF funds (Technical Cooperation Facility), and (ii) US\$634,000 from counterpart funds that will be contributed by RIOPPAH. At least 50% of RIOPPAH's counterpart contribution will be in cash. A summary of the principal cost items and of the program financing are presented below. The detailed proposal is in the program technical file.

Budget (US\$)

Components	MIF	Local	Total	%
1. Strengthen sanitary and phytosanitary services	151,280	108,820	260,100	12.1
2. Harmonized sanitary and phytosanitary services Regulations	490,200	287,240	777,440	36.3
3. Promotion of a harmonized food safety program	466,820	184,330	651,150	30.4
4. Administration	260,400	53,610	314,010	14.6
5. Evaluation	60,000	-	60,000	2.8
6. Financial auditing	15,000	-	15,000	0.7
7. Contingencies	66,300	-	66,300	4.1
TOTAL	1,510,000	634,000	2,144,000	100.0
Percentage	70%	30%	100%	

- 5.2 **Sustainability.** The program is deemed to be sustainable based on the following considerations: (i) the main objective is to create the regional conditions necessary to promote trade in agricultural products inside and outside the region; (ii) RIOPPAH will consider holding positions that will exist as part of the services provided in order to achieve self-sustainability of the activities over the long term. RIOPPAH has long experience in this regard given that its services are provided on the basis of positions in both private companies and governments; and (iii) there are national programs in various countries of the region that the Bank has financed in the past, or is financing, and that have established the bases for expanding the objectives of the regional activities under this program, which will seek to coordinate and complement those national programs to ensure consistency and execution of activities.

VI. MONITORING AND EVALUATIONS

A. Supervision and monitoring

- 6.1 The Bank's Country Office in El Salvador, in coordination with INT and MIF at Bank headquarters, will be responsible for supervising this program. RIOPPAH will be responsible for collecting and analyzing the relevant information in order to perform ongoing follow-up of the principal indicators as set forth in the logical framework in Annex I of this document. RIOPPAH and the Bank will use these indicators to supervise and evaluate the program. They will be taken into account in preparing the semiannual progress reports and in the intermediate and final evaluations reports.

B. Evaluations

- 6.2 Using program funds, the Bank will hire external consultants to perform two evaluations: a midterm evaluation approximately 18 months after the technical cooperation agreement has gone into effect, or when 50% of the funds have been disbursed; and a final evaluation three months after the end of the execution period. The terms of reference for performing these evaluations will be prepared by the Bank in collaboration with RIOPPAH and will include the coordination and complementarity of activities between this program and any other similar activity of national programs on sanitary and phytosanitary measures that the Bank supports in the countries of the region.
- 6.3 The midterm evaluation will analyze the degree of progress and overall performance of the program, with particular emphasis on: (i) the level of incorporation of the proposed changes in each of the countries; (ii) the level of participation of the public and private sectors in the various activities of the program; (iii) the participation and experience gained in training activities; and (iv) coordination and complementarity of activities between this program and any other similar activity of national programs on sanitary and phytosanitary measures that the Bank supports in the countries of the region. Based on the results of the analysis, recommendations will be made on necessary adjustments for use of the remaining funds.
- 6.4 For the final evaluation the external consultants will evaluate the impact of the program, and also the overall results. The consultants will use the logical framework in Annex I or as amended by mutual agreement of the Bank and RIOPPAH. RIOPPAH and the ministries of agriculture and authorities responsible for sanitary and phytosanitary measures will provide access to the information and documentation needed to carry out the evaluations.
- 6.5 The Bank's Country Office, with the support of the program team and RIOPPAH, will perform annual performance reviews to determine the degree of achievement of the program's objectives. These reviews will determine the annual counterpart needs, and whether to continue, suspend or cancel the program.

VII. RATIONALE AND RISKS

A. Rationale

- 7.1 It is believed that successful execution of this program will generate a **demonstration effect**, considering the **innovative** aspect of the program with regard to regional harmonization of health measures in the countries of Central America. The importance of trade in agricultural products for the region's countries in achieving greater regional integration cannot be overstated. Today sanitary and

phytosanitary measures are, however, key factors that affect the exchange of agricultural products not only on a regional level but also on the international level. The preparation of a regional sanitary and phytosanitary measures program is therefore at the center of the integration needs of the countries of the region, among themselves and with the rest of the world. Likewise, given the region's vulnerability to natural disasters, it is important to develop regional measures that quickly respond to the factors that affect the propagation of risks to plant, animal and human food health, and also the trade in agricultural products. This program will work in particular on these factors and will coordinate activities with other national efforts that are part of sanitary and phytosanitary measures operations that the Bank finances in specific countries of the region.

- 7.2 **Beneficiaries.** The main beneficiaries are: (i) small- and medium-scale enterprises of the selected localities that will participate directly in the business promotion and productive development activities; (ii) private enterprises, which will benefit from regional harmonization of sanitary and phytosanitary measures in the various countries; and (iii) the public agencies involved on the regional and national level in the administration of sanitary, health, and phytosanitary measures and foreign trade agencies.

B. Risks

- 7.3 The program may face some risks as a result of the lack of interest from government representatives in each country in implementing the proposed changes. This risk will be mitigated through the participation of the ministries/departments of agriculture of the countries that are members of H. CIRSA, given their involvement in each phase and aspect of the program. In addition, through the signing of a cooperation agreement between RIOPPAH and each of the participating countries, the commitments of both parties will be established.
- 7.4 Interests created by inefficiencies in regional customs offices and border passes are also important sources of resistance to change that will facilitate and modernize product transactions. It will be necessary to work with other government modernization initiatives and the infrastructure and modernization of customs offices to overcome this resistance.
- 7.5 Protectionist national interests that are against greater regional and international trade in agricultural products typically try to use sanitary and phytosanitary measures as justification to introduce obstacles to trade. It will be necessary to coordinate with foreign trade authorities that manage and negotiate greater trade liberalization to decrease the potential pressures that could arise in these sectors.

C. Environmental feasibility

- 7.6 This operation is feasible from an environmental point of view because: (i) it will not have direct negative environmental or social effects; (ii) protective measures will be adopted with regard to potentially adverse indirect effects; and (iii) it will have a positive effect due to the adoption of environmental protection measures.

VIII. EXCEPTIONS TO BANK POLICY

- 8.1 No exceptions to Bank and MIF policies are planned.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 As conditions precedent to the first disbursement of the contribution, RIOPPAH shall submit evidence to the satisfaction of the Bank: (i) that it has hired a program director (paragraph 4.3); (ii) that the working plan for the first six months of program execution has been submitted (paragraph 4.5); and (iii) the cooperation agreements between RIOPPAH and each participating country is in effect (paragraph 4.7).

X. DEGREE OF PREPARATION

- 10.1 The design, budget and activities contemplated have been prepared with the involvement of participants in the program. RIOPPAH has made progress on various preparatory activities of the program and the counterpart has already been confirmed. In addition, the ministers of agriculture of the PPP countries have already prepared and presented a written agreement giving their support for this program, which establishes a basis for cooperation to carry out all the program activities.

PORT OF AGRICULTURAL TRADE THROUGH THE HARMONIZED REGIONAL APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES

LOGICAL FRAMEWORK

DESCRIPTIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Access to the facilitation of trade in agricultural products in the Puebla-Tlaxcala Plan countries.	<p>Increase export and import volumes of agricultural products by 20% annually, and expand access to new markets.</p> <p>The number of steps in the agricultural product export process and the time required for same have been reduced by 50%.</p>	Annual reports on trade records of exports and imports of agricultural products (comparative tables).	National policies promoting exports of agricultural products are maintained and strengthened; global markets become more accessible; climate conditions normal.
Strengthening of agrosanitary requirements and operating capacity in these countries.	80% reduction of bureaucratic procedures and ease in obtaining export and import documents; 90% increase in operating capacity and efficiency of the agrosanitary structures of the ministries of agriculture of the countries.	Report on number of documents approved and rejected; surveys of service users.	The ministries of agriculture are favorably inclined politically; the private agricultural sector is participating.
Strengthening of sanitary and phytosanitary services	Characterization of the agrosanitary structures of the eight countries and a structural model developed and promoted.	Descriptive document and proposal of more operative modern structures.	Open collaboration from different public and private agricultural sectors; the ministries of agriculture show interest in modernizing and updating their structures.
Harmonization of sanitary and phytosanitary regulations	Agrosanitary procedures and requirements for at least eight export items harmonized and in process of regional implementation; legislation supporting trade in agricultural products in the eight countries is harmonized and adapted to international regulations; regional agrosanitary information system in operation.	Reports on consulting services used; manuals of standards and regulations; system being implemented.	<p>The level of interest in collaboration among the countries is maintained.</p> <p>Broad and open willingness of the senior officials of the ministries of agriculture and other related sectors.</p>

DESCRIPTIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
Promotion of a harmonized food safety system	There is a harmonized regional food safety system developed and implemented in at least five countries.	Document containing the system, minutes or memoranda of agreements and approvals of the ministries of agriculture.	The importance of respecting food safety market demands maintained.
DIAGNOSIS			
Characterize the sanitary and phytosanitary services in each country.	Diagnosis in each country of the eight agrosanitary services through use of international consulting services.	Report documents on each country.	
Define and formulate harmonized proposals consistent with the countries' sanitary and phytosanitary structures.	An agrosanitary structure model for each country defined and harmonized during at least one meeting with the private agricultural sector.	Documents containing the proposal for each country; minutes of resolution of approval and memoranda obtained from the meetings held.	
Work out actions implementing the proposal in each country.	Consensus on implementing the proposal obtained during the holding of at least one promotional meeting in each country with the authorities of the ministries of agriculture and livestock and representatives of the private agricultural sector.	Aide-mémoires of the resolutions approved at each meeting.	
Review the sanitary and phytosanitary legislation related to import and export of agricultural products in each country.	Have the reviewed national sanitary and phytosanitary legislation, and compare it with international standards in order to adapt and harmonize it regionally.	Document containing the reviewed and compared national legislation.	
Prepare and present proposal for harmonized legislation.	Proposal for harmonized legislation prepared, approved, and its implementation with the agricultural public sector and private sector of the eight countries initiated.	Legislation proposal document; aide-mémoires of resolutions passed during the meetings held.	
Prepare modern version of procedures manuals.	Four procedure manuals prepared (supervision, inspection and quarantine treatments; technical auditing and quality management); implementation of the manuals initiated, through a training course held for 24 professionals related to agricultural quarantine in each of the countries (total of 192 professionals).	Document containing the manuals; list of professional participants in the training courses; content of the training programs.	
Design a regional information system (the processes and requirements).	Have a regional agrosanitary information system and requirements for trade in agricultural products implemented and verify that it operates as planned.	Electronic document containing the designed and validated system.	

DESCRIPTIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
Implement the regional information system.	Regional information system implemented in the eight countries and at RIOPPAH headquarters.	Consulting services report: system operating in each country.	
Involve all sectors involved (public and private) in sanitary trade of agricultural products.	100 representatives from the public, private and academic sectors, trained in the area of agricultural trade on a regional level, and 50 more on a national level in each country.	List of participants, on a regional level and in each country; content of the training programs; technical material delivered.	
Investigate and incorporate new quarantine treatment technologies.	Have at least three new technologies for quarantine treatment in operation at the principal quarantine treatment locations.	Results of tests performed; Minutes of resolution approvals.	
Use and strengthen the proposal for creation of a harmonized food safety system.	The harmonized regional food safety system implemented in at least five countries.	Aide-mémoires of resolutions passed; documents containing the feasibility studies.	
Develop harmonized legislation on food inspection procedures and good production and manufacturing practices.	At least two meetings with the private sector and two meetings of the H. CIRSA, have harmonized legislation adopted in each country, on food inspection procedures, proper production and manufacturing processes.	Documents containing harmonized regional legislation; minutes of resolution; consulting services report.	Idem
Adapt the regional legislation to the national level. Promote the creation of a harmonized food safety system in each country.	Coordinated regional legislation has been adapted to the eight national sets of legislation for implementation. At least 2 meetings held to promote the system with the agricultural sector in the 8 countries.	Adequate national legislation, official letters, notarial registers. Aide-mémoires of the meetings, promotional material distributed during the meetings.	
Capitalize the sectors involved and the society.	Have at least 4,000 three-page leaflets and 5,000 posters containing technical, scientific and promotional material for the food safety system; publication of an agrosanitary bulletin every 2 months on this subject and press bulletins every month.	Three-page leaflets, posters; minutes of founding of associations, aide-mémoires of meetings with the private agricultural sector.	
Involve all sectors (public and private) in food safety assurance systems.	Have 800 representatives from the public and private sector trained in agroalimentary quality assurance systems; eight sector guides on application of good agricultural, manufacturing and HACCP practices have been circulated.	List of participants; documents containing permits and release memoranda; publications.	

PROPOSED RESOLUTION

**REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION TO SUPPORT TRADE
IN AGRICULTURE THROUGH THE REGIONAL APPLICATION OF HARMONIZED
SANITARY AND PHYTOSANITARY MEASURES**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the “Organismo Internacional Regional de Sanidad Agropecuaria” (OIRSA), and to take such additional measures as may be pertinent for the execution of the project memorandum contained in Document MIF/AT-____ with respect to a technical cooperation program to support trade in agriculture through the regional application of harmonized sanitary and phytosanitary measures.
2. That up to the amount of US\$1,510,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.