

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
NOT FOR PUBLIC USE**

REGIONAL

**SUPPORT FOR THE
FREE TRADE AREA OF THE AMERICAS (FTAA)
ADMINISTRATIVE SECRETARIAT
MEXICO 2007**

(RG-T1255)

PLAN OF OPERATIONS

This document was prepared by the project team consisting of: David Tither (INT/RTC) Project Team Leader; Lesley Cassar (INT/ITD); Diego Buchara (LEG/OPR); and Cesar Bustamante (COF/CME).

CONTENT

EXECUTIVE SUMMARY	1
I. FRAME OF REFERENCE	2
II. THE PROJECT	4
III. COST AND FINANCING	6
IV. EXECUTING AGENCY AND MECHANISM.....	6
V. MONITORING AND EVALUATION.....	8
VI. PROGRAM BENEFITS AND RISKS	9

ANNEXES

- I. Logical Framework
- II. Detailed Budget

APPENDICES

INFORMATION AVAILABLE IN THE FILES OF INT/RTC

List of Bank-Financed RTCs Supporting the FTAA Process
FTAA Administrative Secretariat – Organizational Structure
Terms of Reference – FTAA Administrative Secretariat Personnel
Description of NAFIN
Structure of Trust
Trust Fund Agreement

ABBREVIATIONS

AS	FTAA Administrative Secretariat
Bank	Inter-American Development Bank
COF/CME	IDB Country Office in Mexico
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EU	European Union
FTAA	Free Trade Area of the Americas
FTAA Entities	Collective reference to the nine Negotiating Groups (Market Access; Agriculture; Government Procurement; Services; Investment; Intellectual Property; Subsidies, Antidumping and Countervailing Duties; Competition Policy and Dispute Settlement) and the several Committees or other Groups (Civil Society, Smaller Economies, Technical Committee on Institutional Issues)
FTA	Free Trade Agreement
IDB	Inter-American Development Bank
INT/ITD	Integration, Trade and Hemispheric Issues Division of the Integration and Regional Programs Department of the IDB
INT/RTC	Regional Technical Cooperation Division of the Integration and Regional Programs Department of the IDB
NAFIN	Nacional Financiera, SNC
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
OAS	Organization of American States
TNC	Trade Negotiations Committee
TPC	Tripartite Committee

**SUPPORT FOR THE FREE TRADE AREA OF THE AMERICAS (FTAA) ADMINISTRATIVE
SECRETARIAT – MEXICO 2007
(RG-T1255)**

EXECUTIVE SUMMARY

Requester:	Government of the United States of America in its function as Co-Chair of the FTAA TNC.		
Executing Agency:	NAFIN, as Trustee of the Trust Fund for the FTAA Administrative Secretariat.		
Target Beneficiaries:	The 34 countries participating in the FTAA process.		
Amount and Source:	IDB - non-reimbursable FSO -net income-:	US\$	350,000
	Local (Govt. of Mexico):	US\$	350,000
	Total:	US\$	700,000
Execution Timetable:	Execution Period:	10	Months
	Disbursement Period:	13	Months
Objectives:	<p>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.</p> <p>The specific objective of the Program is to support the operation of the AS, which provides temporary administrative and logistical support to the negotiating process, in Puebla, Mexico, for approximately 10 months from February to December 2007.</p>		
Special Contractual Conditions:	<p><u>Conditions prior to first disbursement:</u> “Nacional Financiera, S.N.C.”, as Trustee of the Trust Fund for the AS, will present, to the satisfaction of the Bank, evidence that: (a) The “Estados Unidos Mexicanos”, through its “Secretaría de Economía”, has entered into an agreement with “Nacional Financiera, S.N.C.” in order to transfer to the Trust Fund for the AS, the local counterpart resources necessary for the implementation of the Program; (b) The “Estados Unidos Mexicanos”, through its “Secretaría de Economía”, has transferred to the Trust Fund for the AS, the equipment and materials necessary for the implementation of the Program; (c) The Trust Fund for the AS has the necessary physical space in order to carry out the activities contemplated in the Program; and (d) “Nacional Financiera, S.N.C.” as Trustee of the Trust Fund for the AS presented to the Bank the plan, catalog or accounting code for the Program.</p>		
Exceptions to	None.		

Bank Policy:

**Environmental/
Social Review:** The operation was reviewed by the CESI/TRG in its meeting 40-06 of October 13, 2006, where it was approved as presented in the TC Profile.

**Coordination with
Other Official
Development
Finance
Institutions:**

When the AS was created, FTAA Ministers determined that its operations should be funded through resources provided by both the local host and the TPC, which is composed of the IDB, OAS, and ECLAC. These three organizations closely coordinate their efforts related to the FTAA negotiations. No other international financial institutions are charged with providing support to the FTAA negotiating process.

I. BACKGROUND AND JUSTIFICATION

- 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 of the Americas from Canada to Tierra del Fuego, Argentina. Following a three-year preparatory phase, formal FTAA negotiations were launched in April 1998. With a combined population of 800 million and a GDP of US\$13 trillion, the FTAA will be the largest free trade area in the world and one of the most ambitious integration schemes in the world.
- 1.2 The organizational structure for the negotiations was established by governments during the 1998 San José Ministerial Meeting. According to this structure, the FTAA negotiations are overseen and managed by the Ministers responsible for trade, who meet periodically to provide political guidance to the process. The TNC – made up of the 34 Vice-Ministers– is responsible for guiding the day-to-day work of the nine negotiating groups and four related committees as well as for defining the overall architecture of the negotiations. A temporary AS was moreover created in 1998 to provide administrative, logistical and linguistic support to the negotiations.
- 1.3 Governments originally planned to complete the negotiations by early 2005 and seek its entry into force by December 2005. However, in November 2003, the Ministers agreed to a new framework that bifurcated the negotiations into two separate, but parallel tracks. One track will develop a common and balanced set of rights and obligations that will be applicable to all countries. The second track provides for plurilateral negotiations among FTAA countries that wish to undertake additional liberalization and disciplines within the FTAA. Ministers directed the TNC to establish procedures for the negotiations to proceed under this new vision. In February 2004, following a meeting of the TNC, the Co-Chairs announced that, while they had made good progress, the task proved to be extremely complex due to differing views of the parties involved, and that the delegations needed more time for consultations. *[Information deleted]*.

[Information deleted]. At the present time, discussions are underway with a view to resuming the negotiations.

- 1.4 Following a decision taken in 1998 by FTAA Ministers to rotate the site of the meetings among several host cities during the negotiation process, the AS was originally temporarily based in Miami (August 1998 - February 2001), then in Panama (March 2001-February 2003) and is currently in Mexico since March 2003 until the conclusion of the negotiations.
- 1.5 The AS has the following core functions:
 - a. *Conference Services*: provides logistical support to all FTAA negotiation meetings, including TNC meetings as required;
 - b. *Document Control*: manages the flow of documents including receiving, channeling for translation, distributing and archiving all official documents of the negotiating process;
 - c. *Translation Services*: translates all official documents of the FTAA process into the two official working languages of English and Spanish; and
 - d. *Interpretation Services*: provides interpretation services during the deliberations, into the two official working languages of English and Spanish.
- 1.6 In line with its core mandates, during the negotiations, the Secretariat provided an invaluable service to FTAA delegations, and played a key role in ensuring a smooth negotiating process. **[Information deleted]**.
- 1.7 The Secretariat space includes both administrative offices and the meeting rooms where the FTAA negotiations take place.
- 1.8 When the Administrative Secretariat was created, FTAA Ministers determined that its operations should be funded through resources provided by both the local host and the TPC, which is composed of the IDB, OAS and ECLAC. In the Santiago Plan of Action, Heads of State of the 34 FTAA countries therefore called on “the Tripartite Committee, in particular, the Inter-American Development Bank, to 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 AS during its first years of operation in Miami, during its two years of operation in Panama, and since March 2003 in Mexico. To this effect, the Bank approved a regional technical cooperation project in January 1999 (ATN/SF-6353-RG), which funded the AS in Miami until February 2001, a second operation in November 2000 (ATN/SF-7225-RG) to fund the AS operations in Panama from March 2001 until February 2003, a third operation in January 2003 (ATN/SF-8202-RG), with a

carry-on in June 2005 (ATN/SF-9237-RG), to fund the AS operations in Mexico until approximately February 2007.

- 1.9 Since the 1994 Miami Summit of the Americas, the TPC has provided crucial technical and analytical support to the process in addition to the administrative and logistical support to the AS. 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. A list of these operations is available in the technical archives of the Program.
- 1.10 The previous technical cooperation program to finance the AS (ATN/SF-9237-RG) was designed to provide funding until May 2006. Judicious management of the AS resources *[information deleted]* has generated significant savings that will allow the financing to be extended through approximately February 2007. *[Information deleted]. [Information deleted].* AS staff have been involved in principally administrative tasks *[information deleted]*. It should be noted that the AS has complied with all Bank requirements under the previous technical cooperation program, and that the Government of Mexico has fulfilled its obligations under the same operation in a timely manner.
- 1.11 In order to ensure continuity of the operational capability of the AS to support the negotiations, when they resume, and to prevent any gap in its financing, work on a follow-on operation to fund it needs to commence at this time.

II. THE PROGRAM

A. Objectives

- 2.1 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.
- 2.2 The specific objective of the Program is to support the operation of the AS, which provides temporary administrative and logistical support to the negotiating process, in Puebla, Mexico, for approximately 10 months from February to December 2007.

B. Description

- 2.3 The project will finance the operation of the AS during approximately 10 months of its continued stay in Mexico. This will enable the AS to comply with its official mandate to provide administrative and logistical support, quality translation and interpretation services, and efficient management of the flow of documents.

- 2.4 Installation and Relocation of AS Consultants and Materials (\$21,000). The Program will cover the repatriation expenses of existing consultants contracted for the work of the AS, as well as the installation and repatriation costs of any new international consultants. Hiring for key consultancies is done internationally due to the specialized nature of the work of the AS and the resultant desire to have an adequate pool of candidates. As a secondary consideration, it is also done to maintain a geographical representatives given the international nature of the FTAA negotiations.
- 2.5 AS Consultants (\$445,750). In terms of staffing, the present AS structure will be retained. *[Information deleted]*.
- 2.6 Operating Expenses of the FTAA Administrative Secretariat (\$170,000). The operating expenses of the AS will be financed in cash by the Mexican contribution. These will cover, amongst other items: (i) telephone and communications; (ii) office supplies; (iii) postal and courier service, and; (iv) photocopier maintenance and supply. *[Information deleted]*.
- 2.7 Project Auditing (\$15,000). A final comprehensive financial audit will be carried out on completion of the Program. The cost corresponding to the contracting of the auditing firm will be chargeable to the Bank financing, and will be selected according to Bank policies and procedures governing the matter.

III. COST AND FINANCING

[Information deleted]

- 3.1 The overall costs and financing are estimated to be US\$700,000 of which the Bank is expected to provide US\$350,000, and the Government of Mexico up to US\$350,000. In addition, the OAS and ECLAC have indicated their willingness to assign additional funds from their respective budgets in 2007.
- 3.2 The contribution of the Bank will be up to \$350,000, on a non-reimbursable basis, chargeable to the net income of the Fund for Special Operations (FSO). The contribution will cover: (i) the installation of any new AS international consultants, as well as repatriation expenses of consultants at the end of the project; (ii) part of the honoraria and travel of AS consultants; (iii) project auditing costs, and; (iv) contingencies.
- 3.3 Any resources received from the OAS and ECLAC, expected to be of the order of US\$10,000 to \$15,000 each, would be used to finance part of the honoraria of the AS consultants.
- 3.4 The counterpart resources of \$350,000 will come from the Government of Mexico, which will finance with cash: (i) part of the honoraria of the AS consultants, and; (ii) the operating costs of the AS, as provided for in paragraph

2.6. The Government of Mexico will also continue to provide the AS installations and equipment as an in-kind contribution.

IV. EXECUTING AGENCY AND MECHANISM

A. Executing Agency

- 4.1 The present operation will be implemented following the same execution structure for the previous operation (ATN/SF-9237-RG). The Executing Agency will be “NAFIN, S.N.C. as Trustee of the Trust Fund for the FTAA Administrative Secretariat”. The Trust Fund for the FTAA was created pursuant to Mexican legislation on November 14, 2002 and will continue during the implementation of this project. This mechanism, which has been in operation since March 2003, has proved satisfactory. Detailed descriptions of NAFIN and the Structure of the Trust are available in the technical archives of the project.
- 4.2 NAFIN, in its capacity as Trustee of the Trust Fund for the AS will be mainly responsible for the following: (a) managing the Trust Assets (basically the project contributions) so that they are used to provide logistical and administrative support to the FTAA negotiations through the AS; and (b) hiring the necessary consulting services, procurement of the relevant goods and services, rental of moveable and immoveable property and payment of expenses and liabilities arising from the Trust purposes.
- 4.3 The Bank will sign a Technical Cooperation Agreement with the “Estados Unidos Mexicanos”, through its “Secretaría de Hacienda y Crédito Público”, “Nacional Financiera, S.N.C.” as Trustee of the Trust Fund for the FTAA Administrative Secretariat”, the Executive Director of the FTAA and the “Secretaría de Economía”.

B. Execution Mechanism

- 4.4 The Executing Agency will be responsible for: (i) managing the project activities; (ii) contracting the goods and related services as well as hiring the consulting services of the project; (iii) overseeing the performance and handling of the budget of the Program according to established procedures; (iv) processing requests for disbursements of the Bank’s contribution; (v) preparing the balance sheets on resources used, and; (vi) preparing administrative and technical reports for the Bank.
- 4.5 Project supervision will be the responsibility of the Bank’s country office in Mexico (COF/CME). COF/CME will consult closely with the Bank’s Integration and Regional Programs Department (INT) on all technical matters.
- 4.6 The Executing Agency will continue to be responsible for maintaining suitable accounting of finances, internal control and filing systems, so as to allow for identification of the sources and uses of Program funds. The accounting system

will be organized in such a way as to provide needed documents, facilitate verification of transactions and allow timely preparation of financial statements and balance sheets. Program-related records will be filed in such a way that: (i) amounts received from different sources can be identified; (ii) Program expenses are reported according to a chart of accounts previously approved by the Bank, differentiating between contributions from the Bank and funds from other sources; and (iii) pertinent details for identifying goods purchased and services hired are included, along with the use made of the goods and services. The Executing Agency will also open separate and specific accounts for administering the contribution of the Bank and the local counterpart funds. Lastly, the Executing Agency will process the requests for disbursements and the related expense statements according to the Bank's disbursement procedures.

C. Project Implementation Readiness

- 4.7 This operation is a follow-on operation to ATN/SF-9237-RG and, as such, all necessary infrastructure for the AS and a certain level of consultancies are already in place. In addition, all necessary steps have been taken to ensure continuity of the trust mechanism set up for project execution.

D. Execution and Disbursement Schedule

- 4.8 The execution period of the Program will be 10 months and the period for disbursements will be 13 months. The Bank will establish a revolving fund up to 25% of the total IDB contribution. Both OAS and ECLAC contributions will be transferred directly to the Executing Agency.
- 4.9 The total cash contribution of the Government of Mexico will be distributed, as a donation, to the assets of the Trust for the AS.

E. Procurement

- 4.10 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 provisions set forth in Document GN-2349-7 and Document 2350-7. Due to the specialized nature of the activities of the AS, the professional expertise and knowledge of the consultants carrying out those activities and the time involved in training new consultants, as well as to ensure continuity of the FTAA negotiating process, some key AS consultants presently providing services are expected to continue under this new Program. These consultants have already passed through a competitive process of selection in accordance with the Bank's rules and procedures (Procurement Manual GS-501 to GS-503) and have received satisfactory evaluations. As such, it is recommended to continue their services without carrying out another competitive process pursuant to the provisions set forth in paragraph 3.10 of Document GN-2350-7. All new hires will be contracted following the Bank's standard rules and procedures.

V. MONITORING AND EVALUATION

- 5.1 The Executing Agency will submit a final report, during the 60 days following the final disbursement of the Program's resources, summarizing the AS's activities phase and the application of funds contributed by the Bank, counterpart and co-financed sources.
- 5.2 Within the 90 days following the final disbursement of the Program resources, the Executing Agency will prepare a final financial statement to submit to the Bank relating to the Bank's contribution, co-financing and the local counterpart funds. A firm of independent auditors acceptable to the Bank will audit the financial statement. The cost of the audit will be paid for with funds from the Bank's contribution, and selected according to Bank procedures.

VI. PROGRAM BENEFITS AND RISKS

A. Benefits

- 6.1 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 AS, which has provided critical support to the process over the last several years, will ensure that the process can continue on track when negotiations resume.
- 6.2 Through its provision of translation, document, interpretation and conference services, the AS 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 AS 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 simultaneously. In this respect, the AS 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 AS. In its capacity as the official archive of the negotiations, the AS is moreover responsible for preserving the legislative history of the process, which will later serve to interpret hemispheric implementation of the final agreement. Finally, in addition to the Bank's membership and active participation in the TPC, the project will strengthen the Bank's role as an important facilitator in the process of regional economic integration.

B. Risks

- 6.3 As the negotiations resume, one risk is a further temporary interruption of the negotiating process. *[Information deleted]*.

C. Environmental and Social Impact

- 6.4 Because of the nature of the Program, no adverse environmental impact is foreseen. With regard to direct social impact, through its provision of conference, translation, interpretation and document services, the AS 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 AS.
- 6.5 Through its contribution to the formation of a free trade area between 34 countries of the Americas, and thus the facilitation of greater access to larger markets for the lesser-developed countries of the hemisphere, the Program to support the AS is expected to have an indirect positive social effect.

D. Institutional Feasibility

- 6.6 Due to the fact that the AS has been satisfactorily providing the same services as those required under this operation, and under similar conditions, during the years that the FTAA negotiating process has been located in Miami, Panama, and Puebla, no problems of an institutional nature are foreseen.

E. Beneficiaries

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

Annex I

Logical Framework Support for the Administrative Secretariat of the Free Trade Area of the Americas (FTAA) Mexico 2007

Project	Indicators	Means of Verification	Assumptions
Objective: 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.
Purpose: To provide efficient and effective support to the FTAA Negotiations through temporary administrative and logistical support to the process.	1. Logistical support for <i>[information deleted]</i> plenary meeting-days of the FTAA entities and <i>[information deleted]</i> meeting-days dedicated to market access negotiations between individual countries.	1. Activity reports, feedback from FTAA delegates and TPC members, together with a final report.	Within the Hemisphere, a political commitment to the negotiation process. Economic policies which are compatible with the future FTAA.
Products: FTAA Administrative Secretariat established and functioning in an effective and efficient manner towards the project's purpose.	Effective and efficient organization of translation and interpretation services for the meetings Effective and efficient coordination of the meetings' logistics, including venues, equipment, document processing, etc. Timely reproduction of documents and effective and efficient organization of a comprehensive FTAA filing system.	1.1 Activity reports and feedback from FTAA delegates & TPC members. 1.2 Periodic reviews by the TNC's Sub-Committee on Budget and Administration. 1.3 Mission reports from the regular TPC visits to the Secretariat as part of the support for the negotiations.	Availability of top quality external services
Activities: 1. Hiring of additional FTAA Administrative Secretariat personnel in Mexico.	Budget performance	Activity reports; financial reports; financial audits	Non-IDB financial contributions are made in accordance with the projects' co-financing scheme.

[illegible]

