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MULTILATERAL INVESTMENT FUND

PERU

**ASSISTANCE TO SMALL AND MEDIUM-SIZED ENTERPRISES ON
TECHNICAL REQUIREMENTS FOR GAINING MARKET ACCESS
UNDER THE FREE TRADE AGREEMENT WITH
THE UNITED STATES**

(PE-M1035)

DONORS MEMORANDUM

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ABBREVIATIONS

ADEX	Asociación de Exportadores de Perú [Exporters' Association of Peru]
APHIS	Animal and Plant Health Inspection Service
ATPDEA	Andean Trade Promotion and Drug Eradication Act
CESI	Committee on Environment and Social Impact
ECEX	Escuela de Comercio Exterior de ADEX [ADEX Foreign Trade School]
EPA	United States Environmental Protection Agency
FDA	United States Food and Drug Administration
FTA	Free trade agreement
HTS	Harmonized Tariff System
INEI	Instituto Nacional de Estadística e Informática [National Statistics and Information Technology Institute]
INT	Integration and Regional Programs Department (IDB)
ISTECEX	Instituto Superior Tecnológico de Comercio Exterior [Higher Technological Institute for Foreign Trade]
MINCETUR	Ministry of Foreign Trade and Tourism
NTM	Nontariff measure
TRAP	Technical Requirement Adjustment Plan
PCR	Project completion report
PCU	Project Coordination Unit
PPMR	Project performance monitoring report
SME	Small and medium-sized enterprise ¹
SUNAT	Superintendencia Nacional de Administración Tributaria [National Tax Administration Superintendency]
USDA	United States Department of Agriculture

DEFINITIONS

Agribusiness: The set of all production chains based on crop farming, livestock breeding, and forestry in a given country.

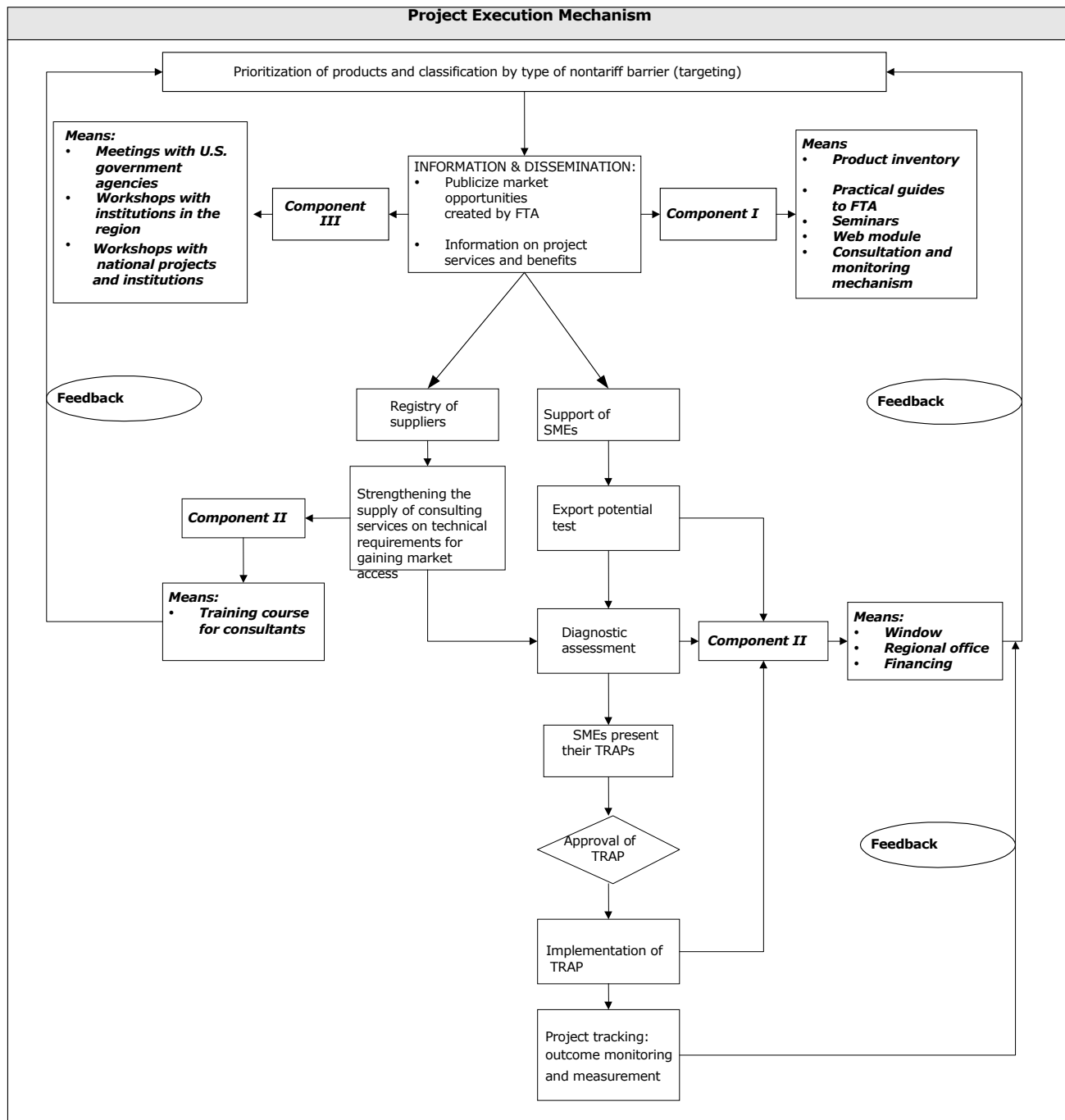
Textile-clothing sector: The set of all production chains, including the production and processing of raw materials (cotton, wool, etc.), thread, and fabric, related industrial processes, and the manufacture of clothing.

Beneficiaries: Peruvian small- and medium-sized enterprises (SMEs) in the broader agribusiness, agriculture-based, and textile-clothing sectors, and technical specialists who provide services for meeting nontariff technical requirements for trade.

¹ A firm that invoices less than US\$3 million per year and has fewer than 100 employees.

Production chain: Each area (crop farming, livestock breeding, forestry) involves stakeholders, factors, and actions at the pre-farm, on-farm, and post-farm levels. At the pre-farm level there are suppliers of the various inputs: seed, machinery, fertilizers, pesticides, etc. On-farm agents include the various types of producers. Post-farm agents comprise processors, wholesalers, retailers, and consumers. These different groups of stakeholders and their activities together make up the production chain.

Proposed model: A systematic way to promote market access opportunities, build service delivery capacity, coordinate demand for services, and cofinance services in order to help achieve effective market access:



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I. EXECUTIVE SUMMARY

Beneficiary country:	Peru								
Executing agency:	Asociación de Exportadores de Perú [Exporters' Association of Peru] (ADEX).								
Beneficiaries:	The project's beneficiaries are Peruvian productive and/or exporting small and medium-sized enterprises (SMEs), and technical specialists and professionals working in the export sector.								
Financing:	<table><tr><td>Modality:</td><td>Nonreimbursable (Facility III-A)</td></tr><tr><td>MIF:</td><td>US\$1,043,807 (59%)</td></tr><tr><td>Local:</td><td>US\$ 706,845 (41%)</td></tr><tr><td>Total:</td><td>US\$ 1,750,652</td></tr></table>	Modality:	Nonreimbursable (Facility III-A)	MIF:	US\$1,043,807 (59%)	Local:	US\$ 706,845 (41%)	Total:	US\$ 1,750,652
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MIF:	US\$1,043,807 (59%)								
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Total:	US\$ 1,750,652								
Objectives:	<p>The goal of the project is to help strengthen the export capacity of both direct and indirect exporting SMEs in the broader agribusiness, agriculture-based, and textile-clothing sectors of Peru.</p> <p>The purpose is to establish and validate a demonstration model that facilitates sustainable market access for SMEs in the broader agribusiness, agriculture-based, and textile-clothing sectors, enabling them to tap the benefits of the free trade agreement (FTA).</p> <p>The objectives will be met through three components: (I) Identification, information, and dissemination of technical requirements for gaining market access and tapping opportunities created by the FTA; (II) System for strengthening supply and coordinating the supply of and demand for services, which has two subcomponents: (II.A) System for strengthening the supply of consulting services on technical requirements for gaining market access; and (II.B) System for coordinating the supply of and demand for consulting services on technical requirements for gaining U.S. market access; and (III) Partnerships, coordination, and monitoring the FTA on market access.</p>								

Execution timetable:	Execution period: 36 months Disbursement period: 42 months
Special contractual conditions:	As conditions precedent to the first disbursement of MIF funds, ADEX must demonstrate that: (i) the Project Coordination Unit has been created and its coordinator selected; (ii) the project's Operating Regulations, previously agreed on with the Bank, are in effect; and (iii) the Advisory Council has been officially created and its members designated.
Exceptions to Bank policies:	None.
Coordination with other official development finance institutions:	There are no nationwide initiatives that have a focus similar to this project, but there are complementary projects in areas such as support for competitiveness and export promotion. These complementary projects were taken into account in designing this project, and coordination activities have been included (see Subcomponent III and Technical Document IV).
Social and environmental review:	The Committee on Environment and Social Impact reviewed the project on 21 April 2006 (meeting 16-06). Its comments have been addressed in Section VIII of this document, and in the Operating Regulations.

II. BACKGROUND

- 2.1 In November 2003 the United States government announced the beginning of negotiations for a free trade agreement (FTA) with three countries in the Andean Community—Colombia, Peru, and Ecuador²—that currently benefit from the Andean Trade Promotion and Drug Eradication Act (ATPDEA).³ Through this law, the U.S. granted preferential treatment to Bolivia, Colombia, Ecuador, and Peru for the purpose of providing alternatives to the cultivation of coca leaf. It exempts more than 6,000 items from the payment of tariffs and has had a significant impact on exports. The purpose, then, of signing a free trade agreement with the U.S. is to

² At present, Bolivia participates only as an observer.

³ The ATPDEA was enacted by the president of the United States in August 2002 and will remain in force until the end of 2006.

expand this preferential access and make it permanent. It will also create a more predictable climate that can foster new and greater investments in the United States, which is the Andean countries' principal export market. The FTA will have the potential of boosting exports of goods and services, and of spurring growth and economic development. In accordance with figures for 2005, 30% of Peru's exports were destined for the U.S. market.

- 2.2 While the FTA offers a number of opportunities for increasing exports, it also represents a real challenge to the country. The main challenge for entrepreneurs will be to meet all the legal and technical standards and requirements applicable to all products consumed in the U.S. It is worth noting in this connection that between October 2004 and November 2005, 145 shipments by Peruvian companies were rejected by U.S. authorities due to failure to comply with nontariff measures (NTMs).
- 2.3 The World Trade Organization estimates that more than 16% of the products imported by the U.S. must meet NTMs. The impact of these measures is felt primarily, but not exclusively, by the agroindustrial sector since around 75% of commodities and manufactured goods of agricultural origin must meet NTMs to enter the U.S. These measures have the greatest impact on SMEs because of the type of products they produce and export, and because generally they are unable to singlehandedly address the complex technical requirements for gaining market access.
- 2.4 Separate from the sections of the FTA aimed at eliminating trade restrictions, legitimate NTMs applicable both to domestic production and to imported goods will continue in place, and will not be eliminated by the agreement. These measures establish conditions for products to enter the country, based on criteria related to health, environment, consumer information, origin content, import licensing, labeling and packaging, customs procedures, and other nontariff requirements. The **problem to be addressed** is two-fold: to begin with, smaller enterprises, through their trade associations and chambers, have indicated that they are seriously **deficient in technical capacities** to face this market by themselves because of the very exacting regulations that apply to certain sectors. Unlike large companies, which are generally familiar with the requirements and accustomed to complying with them, SMEs lack this information and need advice for handling the different phases of adapting their products to foreign markets. Another problem facing companies in developing countries that want to boost their exports is the **lack of information and advice** on requirements and standards related to origin, packing, packaging, labeling, and sanitary or phytosanitary measures applicable to their products in the target markets (market access NTMs).
- 2.5 Despite the limited share of SMEs in export activity, foreign trade offers rich opportunities for them to grow through the dynamic ties that can be established with growing markets; these opportunities include the adoption of new

technologies, the generation of greater value added, and the receipt of foreign exchange earnings.

- 2.6 The United States is currently Peru's main trade partner, absorbing 30% of its total exports and 39% of its manufactured exports. In the last 10 years, Peruvian exports to the U.S. grew annually by an average of about 13%. In 2005 the value of Peruvian exports to the U.S. was US\$5.22 billion, almost 60% of which entered duty-free due to the benefits received under the ATPDEA. Another 30% entered the U.S. market tariff-free due to "most-favored-nation" treatment. Thus, Peru's export problems to the U.S. are not tariff related; rather, they are due to the capacity of Peruvian companies to adapt supply, and to the nontariff measures imposed by the U.S.
- 2.7 An overview of Peruvian exports to the U.S. shows that, in order of size, the 10 largest companies export 50% of the total; the 50 largest companies export 70%; and the remaining 30% is exported by a large number of SMEs whose individual volumes do not exceed US\$10,000 but combined amount to US\$1 billion. There are half a million SMEs in Peru, which demonstrates their importance to the Peruvian economy. Since they represent 99.5% of all Peruvian companies, generate 42% of GDP, and employ 63% of the economically active population, SMEs are one of the pillars of the Peruvian economy. They also make up 77% of all of Peru's export companies.
- 2.8 This project will address the specific needs and demands of SMEs for information and technical advice by coordinating a market of consulting services to serve the companies in meeting nontariff measures for entering the U.S. market. The project will target SMEs that export (directly or indirectly) the following products: chili peppers, Andean corn, seasonings and condiments, coffee and cacao, fruit, infusions, maca root, marmalades, olives, vegetables, liqueurs, legumes, poultry, cat's claw (uña de gato), essential oils, bakery products, t-shirts, clothing made from fine-hair fabrics, other apparel, trousers, sweaters and shawls, men's clothing, women's clothing, children's clothing, and undergarments. According to estimates from the Asociación de Exportadores de Perú [Exporters' Association of Peru] (ADEX) on Peruvian exports to the U.S., around 900 SMEs export agribusiness products and more than 1,100 export products in the textile-clothing sector.⁴ The aim of the MIF's participation in this initiative is to help overcome technical requirements that could cancel out the tariff benefits provided under the FTA. The project is justified by: (i) the consensus among scholars, specialists, trade authorities, and the private sector that nontariff technical requirements—not tariffs—are the most important factors that condition market access; and (ii) the importance and priority given to this topic during workshops and consultations with

⁴ Enterprises whose exports exceed US\$1,000 annually were taken into account.

the public sector and with trade associations representing the SMEs.⁵ Lastly, the level of awareness on the subject among both the public and the private sectors has created a favorable climate for such a project.

- 2.9 **The proposed solution** is to target the specific needs and demands of SMEs for meeting the nontariff measures set by the U.S. To this end, a systematic model⁶ will be established and validated for tapping opportunities opened up by the FTA. It will be applied to a select group of sectors and products in the broader agribusiness and textile-clothing sectors, helping SMEs meet NTMs for gaining access to the U.S. market. The project will include: (a) identification, information, and dissemination of NTMs for gaining market access and tapping opportunities created by the FTA; (b) providing training to specialists on how to meet the nontariff measures, (c) a system that coordinates the demand for specialized technical advisory services in this area with the supply of such services;⁷ and (d) the creation of partnerships, coordination, and monitoring of the FTA on market access in order to effectively take advantage of it.
- 2.10 To **target** activities so that the project will have a demonstration effect, the scope of action was determined on the basis of a study conducted by ADEX.⁸ This study identified a number of sectors, subsectors, and products that have great potential to benefit from the FTA with the U.S., and that face significant NTMs. The project will finance services to overcome certain critical nontariff technical requirements, including: (i) technical standards and regulations (mainly Food and Drug Administration (FDA) labeling requirements and other regulations specific to the United States); (ii) sanitary and phytosanitary measures (such as prior health inspection of plants and animals, quarantines and bans on beef from countries with rinderpest or foot-and-mouth disease, bans on insect-infected fruit, etc., under the Animal and Plant Health Inspection Service (APHIS)); (iii) import permits; and (iv) entry through designated ports.
- 2.11 **The additionality and innovation** of the project lies in: (i) establishing a model that systematically supports SMEs in adapting to NTMs in order to gain access to the U.S. market, through joint efforts at the national level and by forging partnerships at the international level; (ii) disseminating information to SMEs in selected sectors on how to tap opportunities created by the FTA with the U.S.; (iii) having an institution that represents exporters and SMEs implement the project through the “SME Board”; and (iv) contributing to reducing the restrictive effect of

⁵ These events took place within the framework of the “Trade Capacity Building” working group, which met at the same time as the rounds of FTA negotiations between the Andean countries and the U.S.

⁶ A systematic way of promoting market access opportunities, building service delivery capacity, coordinating demand for services, and cofinancing services in order to achieve effective market access.

⁷ A cofinancing system will be used to promote this type of service (see Technical Document II).

⁸ See Technical Document XI.

NTMs by managing the supply/demand for information and technical services, tailored to the needs of the SMEs.

- 2.12 The project is consistent with the **Bank's strategies** for competitiveness and integration inasmuch as it aims to upgrade the export capacity of SMEs, support trade liberalization, and contribute to regional integration through free trade. It will supplement other public and private foreign trade initiatives and initiatives that support the SMEs, and strengthen and consolidate the institutional management of the business services provided by these agencies. Moreover, it will supplement other Bank operations under way that have components related to the promotion of exports and the trade information system and to government initiatives, namely the loan for a trade sector facility (PE-0219), the Export Promotion Commission (PROMPEX) plans (U.S. Market Working Plan), and the National Strategic Export Plan (PENX), which is under the responsibility of the Ministry of Foreign Trade and Tourism (MINCETUR).
- 2.13 The MIF's Facilitation of International Trade and Investment cluster has carried out specific operations to support SMEs, providing lessons that will be useful to this project. Related programs implemented by other donors and by the public sector were also taken into account in designing this project. Moreover, coordination activities have been included to avoid possible duplication of efforts and to share experiences and lessons learned.

III. OBJECTIVES AND COMPONENTS

- 3.1 **Goal:** To help improve the export capacity of both direct and indirect exporting SMEs in the broader agribusiness and textile-clothing sectors of Peru. **Purpose:** To establish and validate a demonstration model that facilitates sustainable market access for SMEs in the broader agribusiness and textile-clothing sectors, enabling them to tap the benefits of the FTA. This will be accomplished through three components.
- 3.2 **Component I: Identification, information, and dissemination of technical requirements for gaining market access and tapping opportunities created by the FTA (MIF US\$93,000; local contribution US\$199,320)**
- 3.3 The objective of this component is to systematize and disseminate information on the technical requirements that SMEs will have to meet to gain market access and tap critical opportunities created by the FTA.⁹ To achieve this objective, the component will inventory domestic products and define the NTMs that apply to

⁹ While all existing information on the FTA will be taken into account, the project aims to tailor the information to agribusiness SMEs.

- them. In addition, technical sheets will be prepared for products and groups of products with information on the relevant NTMs, costs, transportation, markets, etc. Also, practical guides on the FTA with the information collected in the sheets will be produced and distributed. National and regional seminars will be held, and a module will be added to the ADEX website to disclose the information contained in the sheets and guides. Lastly, the project will establish a mechanism for consultation and for monitoring NTMs for gaining access to the U.S. market.
- 3.4 Outcomes of this component include greater awareness on the part of the public and private sectors of the importance of NTMs for taking advantage of the opportunities opened up by the FTA. Specifically, 2,000 productive and/or exporting SMEs will receive information on NTMs and the new opportunities created by the FTA. The project is expected to produce an inventory of at least 200 domestic agribusiness and textile products with great potential to take advantage of the FTA, and to prepare and distribute sheets for 200 products, with information on the NTMs for gaining market access. Some 18 national seminars will be held on the FTA, and on critical market access requirements for targeted products and sectors. A Web module for SMEs will be established and updated on opportunities afforded by the FTA and on critical NTMs for gaining market access for subsectors/products, as well as restrictions and select opportunities. The Web module will facilitate an exchange of information on the experiences of SMEs, lessons learned, statistics on the performance of agribusiness and textile-clothing products exported to the U.S. market, an inventory of cases illustrating difficulties in gaining access, product retention times, problems encountered, standards applied, inspection-related costs, import alerts, etc. Lastly, a mechanism will be set up for consultation on and monitoring of the NTMs for gaining access to the U.S. market, and at least 300 queries will have been addressed by project end.
- 3.5 **Component II: System for strengthening supply and coordinating the supply of and demand for services (MIF US\$660,000; local contribution US\$231,600)**
- 3.6 **Subcomponent II.A: System for strengthening the supply of consulting services on technical requirements for gaining market access (MIF US\$80,000; local contribution US\$21,000)**
- 3.7 This subcomponent will address the training needs of and demand for technical service consultants for meeting critical NTMs of the U.S. market, and to provide services tailored to the needs and demands of SMEs for selected agribusiness and textile-clothing subsectors and products.
- 3.8 A number of focus groups will be created with companies to determine the principal training needs in the market for consulting services on NTMs for gaining market access. On the basis of the training needs for supply and the nontariff requirements identified under Component I, seminars will be offered where international experts will train professionals to become technical advisers in this

area of expertise. A cost-recovery arrangement may be established as a mechanism to ensure the sustainability of the project and the executing agency. In addition, a specialized training module on NTMs for gaining access to the U.S. market will be created and offered at the ADEX Foreign Trade School (ECEX), with a view to continuing to build capacities in this area beyond the scope of the project.

- 3.9 The aim is to: (i) offer 10 courses for training 30 consultants on NTMs for market access, focusing on the selected subsectors/products and the NTMs regarded as critical under this project; and (ii) train 100 participants from ECEX with the specialization module on NTMs for U.S. market access.
- 3.10 **Subcomponent II.B: System for coordinating the supply of and demand for consulting services on technical requirements for gaining U.S. market access (MIF US\$535,000; local contribution US\$165,600)**
- 3.11 The objective of this subcomponent is to make training and technical assistance services accessible to SMEs so they can overcome and/or meet the NTMs for gaining access to the U.S. market under the FTA, as a means of strengthening their export capacity. The demand for and supply of technical assistance will be arranged on the basis of these needs, and the services will be provided by the consultants trained under Subcomponent II.A.
- 3.12 In order to fuel demand, an “open window” will be set up to serve the companies¹⁰ and to receive their Technical Requirement Adjustment Plans (TRAPs). Partial funding will be available for individual and group projects, to be supplemented by contributions from the SMEs toward these activities. In order to expand the project’s geographic coverage, a pilot regional office will be opened to serve SMEs in the interior of the country; the office will be under the responsibility of ADEX, and will operate in agreement with the trade associations of the area.
- 3.13 ADEX will give the SMEs an export potential test as the first criterion of eligibility, and maintain a list of advisory service providers. It will publicize the project’s approach among the business community, approve projects, and conduct monitoring activities. It will also finance¹¹ consulting services for the diagnostic assessments of NTMs for gaining access to the U.S. market for companies that pass the export potential test, and the TRAPs emanating from the assessments.
- 3.14 This will create a range of consultants specialized in diagnostic assessments, training, and technical assistance for companies on the NTMs for market access. The project will also finance the development of management software for the

¹⁰ See the Operations Manual for Component II in the technical files for details on how the window will operate.

¹¹ MIF financing for technical advisory services will be supplemented by contributions from the SMEs.

component, as well as international technical assistance to help set up and monitor the open window and the component's performance.

- 3.15 This subcomponent aims to offer technical solutions so that SMEs can meet access requirements including seals, packaging, licensing, standard identity, table of nutritional facts, and product origin information. The activities of this subcomponent will target groups of producers and exporters, cooperatives, trade associations and unions of producers in the agribusiness and textile-clothing sectors and, more specifically, the subsectors and products selected under the project.
- 3.16 Specifically, the aim is to: (i) set up the window and have the component's management software in place; (ii) establish the pilot regional office; (iii) administer the export potential test to 300 companies interested in participating in that subcomponent, by month 30 of project execution; (iv) conduct 150 diagnostic assessments; (v) prepare 100 TRAPs by project end, at least 20 of which should be for companies in the pilot region; and (vi) have 20 students make recommendations on the implementation of the TRAPs in the SMEs.
- 3.17 The Operations Manual for Component II: Training and specialized technical assistance for addressing and meeting NTMs for gaining market access (Technical Document II) describes how this component will be managed; the eligibility criteria for receiving training as a consultant under this project; the eligibility criteria for companies to receive the consulting services; the types of consulting services to be financed; and other execution mechanisms for this subcomponent.¹²
- 3.18 **Component III: Partnerships, coordination, and monitoring the FTA on market access (MIF US\$70,400; local contribution US\$28,625)**
- 3.19 The objective of this component is to improve SMEs' access to projects that help them take advantage of the FTA with the United States. Activities eligible for financing include: (i) coordination and liaising with U.S. government agencies associated with NTMs, such as the FDA, APHIS, Customs, etc.; (ii) holding workshops to coordinate with public and private institutions of other countries in the Hemisphere to share lessons learned on U.S. market access; and (iii) coordination with other national projects that assist SMEs with their foreign trade endeavors, in order to seek complementarity and avoid duplication of efforts.
- 3.20 This component is expected to have the following outputs: (i) three bilateral meetings with U.S. government agencies that work with NTMs; (ii) six internships for technical specialists (in the U.S. Customs Service, the FDA, the Environmental Protection Agency (EPA), and APHIS); (iii) three workshops with public and

¹² The institutional framework will consist of the PCU, which has a general director, a project coordinator, and a coordinator of Component II. The services of this subcomponent will be approved by a nonobjection committee made up of the general director, the project coordinator, and the coordinator of Component II.

private institutions of other countries in the Hemisphere to share lessons learned on U.S. market access; (iv) by project end, six coordination workshops with other national projects that help SMEs enter the international marketplace; (v) at least 50 SMEs submit applications to other projects with ADEX support; and (vi) information on projects related to the trade activities of SMEs is included on the website.

IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$1,750,652. The MIF will provide US\$1,043,807 (59%) in nonreimbursable resources from Facility III-A, the local counterpart contribution will be US\$706,845 (41%), of which at least 50% will be in cash. The MIF will finance the international and local technical assistance, the project coordinator, the Component II coordinator, the design of information systems and software, the diagnostic assessments, training, technical assistance to SMEs, and training of consultants. The local contribution will finance, among other things, part of the administrative costs. As part of this, it will finance the project's general director, an administrative/accounting assistant, and a secretary—their duties are set out in the project's Operating Regulations. The local contribution will also finance offices, equipment, and logistics. The following table shows the estimated project budget:

Categories	MIF (US\$)	Local contribution (US\$)	Total (US\$)
Project Coordination Unit	73,500	175,500	249,000
Logistics	0	71,800	71,800
Component I	93,000	199,320	292,320
Component II	660,000	231,600	891,600
Component coordinator	45,000	45,000	90,000
Subcomponent II.A	80,000	21,000	101,000
Subcomponent II.B	535,000	165,600	700,600
Component III	70,400	28,625	99,025
SUBTOTAL	896,900	706,845	1,603,745
Contingencies 5%	26,907		26,907
Baseline and two evaluations	70,000		70,000
Audits	20,000		20,000
TOTAL	1,013,807	706,845	1,720,652
Cluster control activities	30,000		30,000
GRAND TOTAL	1,043,807	706,845	1,750,652
Percentages (excludes cluster activities)	59%	41%	100%

- 4.2 **Sustainability** will be built with: (i) the counterpart contributions from SMEs in payment for services cofinanced by Subcomponent II.B; (ii) the development of a market for consulting services on NTMs that will reduce the average market price of such services; (iii) a higher level of exports by SMEs to the U.S. market, due to a reduction in the transaction and monetary costs generated by NTMs, which will enable ADEX and the consultants to continue providing services beyond the scope of the project; (iv) a willingness among SMEs to pay a growing portion of the total cost of services as the project progresses; (v) the inclusion of partners with funding from other sources; (vi) the consolidation of ADEX as coordinator of a model that assists SMEs in taking advantage of free trade agreements, which will enable it to continue project activities by selling technical documents on NTMs for market access, holding national and regional seminars in this area, providing training for consultants, and charging a fee to cover overhead expenses incurred in arranging financing for other projects to be executed in the country, etc.; (vii) the sale of various ADEX services in the marketplace, such as the specialized training on market access for consultants to be provided under Subcomponent II.A, application of the export potential test, the ongoing assistance provided by students from the Instituto Superior Tecnológico de Comercio Exterior [Higher Technological Institute for Foreign Trade] (ISTECEX) to entrepreneurs, etc. Taking all of this into account, the model is expected to attain financial sustainability¹³ two years after project completion. The proposed model, which essentially facilitates and brokers know-how, involves providing public goods, such as information and positive externalities, for businesses. These factors are not taken into account in assessing the project's financial sustainability, but they are critical for securing commitments and larger contributions from Peruvian public institutions, which finance public goods as part of their duties. These public goods and their returns, which cannot be appropriated by an intermediation system,¹⁴ will be measured throughout the life of the project with an impact measurement system to be designed by the consulting services commissioned to establish the project baseline. The positive externalities generated by the project are expected to far exceed project investments. A **sustainability workshop** will be held to discuss continuing activities independently once the project has come to a close. A sustainability workshop, attended by representatives from the Bank and the executing agency, is scheduled to be held one year before the project ends, to review the possibilities for activities to continue independently after the MIF's support has concluded. The executing agency, in

¹³ An ex ante model of sustainability has been developed, and in this case, financial sustainability is understood as follows: $SUSTAINABILITY = (Revenues\ from\ services - direct\ cost\ of\ services - operating\ expenses) \geq 0$.

¹⁴ In a second-tier or intermediation model such as the one being proposed, most of the public goods cannot be captured by the executing agency, as would be the case for the financial income of a first-tier executing institution that recovers all its costs in the market. The arrangement for the private execution of public policy, as in many previous successful IDB-financed cases, aims to show how to execute these projects and to convince public institutions to continue financing the arrangement, until it attains a high level of sustainability in the market being promoted.

cooperation with the Bank's Country Office in Peru, will be responsible for organizing the sustainability workshop.¹⁵

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 **The executing agency** will be the Asociación de Exportadores de Perú [Exporters' Association of Peru] (ADEX), a business institution founded in 1973 to represent and provide services to its members (exporters and importers). Its services cover aspects of foreign trade management needed by companies. ADEX is a leader in the area of foreign trade promotion in Peru, and a private business association that promotes competitiveness in the export sector, and helps SMEs gain a foothold in the international marketplace. Its Executive Board has 21 sectoral committees.
- 5.2 ADEX's structure, and technical and human resources give it the capacity to develop and execute this project. With more than 1,000 members representing more than 50% of Peru's nontraditional exports, and several decades of experience in providing advisory services on foreign trade to its members, it is therefore familiar with the particulars of SME exports. It also has the capacity and experience to hire outside experts specializing in all aspects of this topic. It participated in drafting the National Strategic Export Plan, and is the private trade association with closest ties with the Ministry of Foreign Trade and Tourism (MINCETUR). ADEX has the Instituto Superior Tecnológico de Comercio Exterior [Higher Technological Institute for Foreign Trade] (ISTECEX), the most specialized school for foreign trade, which provides training for technical specialists and professionals from exporting companies. It also manages the Escuela de Comercio Exterior [Foreign Trade School] (ECEX), whose aim is to provide specialized training to executives and professionals interested in developing management competencies for foreign trade in Peru.
- 5.3 The **Project Coordination Unit** (PCU) will operate in ADEX and will be made up of a project coordinator, a Component II coordinator, a financial-administrative assistant, and a secretary. The technical files include the general execution plan, and Technical Document I contains the Operating Regulations for project execution. The Executive Director of ADEX will serve as the liaison between the PCU and ADEX.
- 5.4 The project will have an **Advisory Council**, which: (i) will be made up of three representatives from ADEX, one representative of the SME coordinating group, one representative from MINCETUR, and one representative of the Centro de Promoción de la Pequeña y Micro Empresa [Center for the Promotion of

¹⁵ By project end, the SMEs are expected to have enough experience using technical advisory services, service pricing parameters, etc., for the services offered under the project to be sustainable.

- Microenterprises and Small Businesses] (PROMPYME); the project coordinator will serve as the secretary of the Council. In addition, the Council (ii) will be chaired by ADEX; (iii) will meet at least once every six months; (iv) all Council members will donate the cost/time of their participation; and (v) it may create technical groups or committees.
- 5.5 **Execution and disbursement periods.** 36 months for execution, 42 months for disbursement (see Technical Document VII, Execution timetable).
- 5.6 **Project readiness.** The technical files include: (i) the Operating Regulations; (ii) the Operations Manual for Component II: Training and specialized technical assistance for addressing and meeting technical requirements for gaining access to the U.S. market; (iii) the audited accounting statements and bylaws of the executing agency; and (iv) other international-cooperation projects on related issues.
- 5.7 **Procurement.** The goods and consulting services to be financed with Bank resources will be procured by the PCU in accordance with Bank policies and procedures on the matter (documents GN-2349-6 and GN-2350-7). The quality and cost-based selection procedure will be used to hire consulting services. For contracts valued at less than US\$75,000, the Bank will conduct an ex post evaluation of the selection and hiring processes. Goods will be procured in accordance with the shopping procedure established in the Bank's policies (document GN-2349-7). The project's technical files include the proposed procurement plan, which will be reviewed annually.
- 5.8 **Financial oversight.** The PCU will ask the Bank to deposit the funds in a special account managed by ADEX. In the event that fund replenishment is approved by the Bank, the PCU may request that the Bank deposit the funds directly from the U.S. into the project account.
- 5.9 The consulting services in Component II will be partly financed by the MIF. The SMEs may submit requests to ADEX, on a rolling basis (through the "open window"). Such cofinancing will be evaluated by the nonobjection committee for Subcomponent II.B, and will be supplemented by the payments made by the SMEs for the diagnostic assessments and the TRAPs.
- 5.10 It is proposed that the revolving fund for the project be for an amount of up to 10% of the total Bank contribution. The executing agency must present to the Bank a status report on the revolving fund, throughout project execution and within 60 days after the close of each six-month period in the calendar year. The Bank will supervise disbursements on an ex post basis. Disbursement requests must be submitted along with supporting documentation, including a certified statement of commitments, expenses, and forecasts of cash-flow needs.

VI. MONITORING AND EVALUATION

- 6.1 The Country Office in the Peru will be responsible for carrying out oversight and control activities, monitoring compliance with contractual clauses, processing disbursement requests, and receiving the audited annual and final financial statements.
- 6.2 Bank resources will be used to contract consulting services to design the baseline and the project evaluation methodology. The IDB/MIF, in coordination with the executing agency, will hire consultants to conduct two midterm evaluations when 50% and 95%, respectively, of the funds have been disbursed, or when 50% and 95% of the disbursement period has elapsed, whichever occurs first, on the basis of the donors memorandum and the logical framework indicators. Based on the logical framework indicators and the project reports, the evaluations will look for any significant discrepancies in how activities were carried out, recommend corrective action, highlight lessons learned, and describe how these lessons are shared with other projects in the Facilitation of International Trade and Investments cluster. Based on the midterm evaluation, the Bank's Country Office in Peru, in coordination with the project team, will consider whether the project should be continued, suspended, or canceled.
- 6.3 The Bank will hire an independent firm for the annual audits of project financial statements. The executing agency will provide access to all the information and documentation needed to perform the audits. It will have special bank accounts for the MIF contribution and for the local contribution, and set up accounting systems and keep records that make it possible to identify the use of MIF resources and local counterpart funds, as well as the procurements made, all in accordance with Bank policies and procedures.
- 6.4 Monitoring and evaluation activities will be coordinated with the **Facilitation of International Trade and Investments** cluster of the MIF and with the Bank's Integration and Regional Programs Department. Project representatives will participate in annual cluster workshops to ensure mutual feedback among the projects in the cluster. A **closing workshop**, to be scheduled for the end of the execution period, will assess outcomes and determine what actions need to be taken to increase project impact.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will help strengthen the export capacity of both direct and indirect exporting SMEs in the broader agribusiness and textile-clothing sectors of Peru. It will seek to establish and validate a demonstration model to help SMEs in those sectors gain market access by helping them meet the challenges of the FTA so they can take advantage of the opportunities it will provide. The model that is

developed may subsequently benefit all SMEs with export capacity in various sectors of the Peruvian economy. The proposed benefits set out in the project purpose section of the logical framework include: (i) a demonstration model created and in operation, which will equip SMEs to gain market access by overcoming NTMs and thus take advantage of the FTA; (ii) a 20% increase in the total exports of the companies that received support; and (iii) at least a 20% increase over the baseline in the number of SMEs that received support and are linked to an export channel.

- 7.2 **End beneficiaries.** (i) 100 companies have Technical Requirement Adjustment Plans and make use of the partially financed services of the project to gain access to the U.S. market; (ii) 30 consultants trained on NTMs for market access; and (iii) 100 participants trained at ECEX through the specialization module on NTMs for U.S. market access.
- 7.3 **Risks.** (i) There is a risk that the country will not give due importance to NTMs and the FTA. This will be addressed systematically by contacting the various stakeholders interested in opportunities generated by FTA, increasing their understanding of the matter, and providing them with training. (ii) There may be limited demand among SMEs for the services offered under Subcomponent II.B to meet NTMs for gaining market access, or there may be an insufficient or inadequate supply of these services. The project will address this by raising awareness among SMEs on the importance of using consulting services to help meet NTMs for gaining market access, and by promoting continuing education among consultants. The project will address this risk through Subcomponent III by carrying out coordination activities, and by developing and maintaining a database of complementary projects to allow for smooth dialogue.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 No significant social or environmental impact is expected. Because some of the selected categories may potentially have an impact in terms of pollution, the foregoing will be considered in the design of each project, and advisory services on environmental matters will be included in those cases. The Operating Regulations will include instructions on the need to address environmental issues in the analysis of national project activities. Moreover, fulfillment of environmental regulations will be a criterion for eligibility.

LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
Goal			
To help strengthen the export capacity of both direct and indirect exporting SMEs in Peru in the broader agribusiness or agriculture-based, and textile-clothing sectors.	<p>Five years after project completion:</p> <ul style="list-style-type: none"> The number of SMEs in the project's target sectors that directly or indirectly gain access to the U.S. market increases 50% over the baseline. 	<ul style="list-style-type: none"> Baseline Statistics of SUNAT, MINCETUR, INEI, and ADEX on foreign trade and SMEs U.S. government statistics Ex post evaluations and impact assessments Secondary sources on Peruvian foreign trade 	<ul style="list-style-type: none"> Macroeconomic, political, and institutional conditions are conducive to increasing foreign trade and improving the competitiveness of SMEs.
Purpose			
To establish and validate a demonstration model that facilitates sustainable market access to the SMEs in the broader agribusiness or agriculture-based, and textile-clothing sectors, enabling them to tap the benefits of the FTA.	<p>By project end:</p> <ul style="list-style-type: none"> The demonstration model to facilitate SME access under the FTA is operating and has good prospects for sustainability. Three case studies show that the project is contributing positively to overcoming nontariff barriers. At least 80% of the companies supported report that the project had a positive impact on their performance. At least three public, development, or private institutions show interest in replicating some component of the project. Total exports of participating SMEs increase by at least 20%. 	<ul style="list-style-type: none"> Baseline Final progress report presented by the Project Coordination Unit (PCU) ADEX statistics Surveys of companies that received support Closing workshop Final evaluation 	<ul style="list-style-type: none"> FTA enters into force and remains in effect, creating export opportunities for SMEs. The private sector is aware of the opportunities created by the FTA and the challenges posed by technical requirements for gaining access to the U.S. market. Climatic conditions remain favorable for the exports of the broader agribusiness and agriculture-based sectors.

¹ SMEs linked to an export channel are understood to be those that do not export directly but that are direct vendors to export firms.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> The number of SMEs that access the U.S. market or that are linked to an export channel¹ increases by at least 20% over the baseline. 		
Components			
Component I: Identification, information, and dissemination of technical requirements for gaining market access and tapping opportunities created by the FTA.	<ul style="list-style-type: none"> At least 2,000 owners and/or employees of productive and/or exporting SMEs informed of the technical requirements for market access, and of new trade opportunities created by FTA, by month 36. At least 1,000 technical specialists and professionals (public and private sectors) are informed of the technical requirements for market access, and of new trade opportunities created by FTA, by month 36. At least 50% of the informed companies show interest in participating in the project by month 36. 	<ul style="list-style-type: none"> Semiannual progress reports and final report presented by the PCU Project performance monitoring reports (PPMRs) Midterm and final evaluations by external consultants. Project completion report (PCR). Inspection visits by the Country Office specialist. Informational documents on the project (pamphlets, guides, CDs, etc.) available and distributed. Records of participants. Record of satisfaction of seminar participants. Letters of interest from SMEs 	<ul style="list-style-type: none"> Beneficiary SMEs maintain their interest in gaining access to the U.S. market.
Component II: System for strengthening supply and coordinating the supply of and demand for services			
Subcomponent II.A: System for strengthening the supply of consulting services on technical requirements for gaining market access.	<ul style="list-style-type: none"> At least 30 consultants trained on technical requirements for gaining access to the U.S. market, by month 14 of execution. Specialization module on nontariff measures for gaining market access designed and implemented in the ECEX program, as of year 2 of project implementation. 	<ul style="list-style-type: none"> Semiannual progress reports and final report presented by the PCU. PPMRs. Midterm and final evaluations by external consultants. PCR. Inspection visits by the Country Office specialist. Statistics on approved services 	<ul style="list-style-type: none"> Exporting SMEs promoted by the project are the target clients of the consultants that received the training. The target SMEs are interested in and have the financial capacity to contract the consulting services.

Objectives	Indicators	Means of verification	Assumptions
		<p>generated by the component's software.</p> <ul style="list-style-type: none"> Records of course participants. Records of courses/seminars. 	
<p>Subcomponent II.B: System for coordinating the supply of and demand for consulting services on technical requirements for gaining U.S. market access</p>	<ul style="list-style-type: none"> By month 30 of execution, the export potential test applied at least 300 of the 2000 companies identified and informed under Component I. By month 30, at least 150 Technical Requirement Adjustment Plans (TRAPs) for the U.S. market are designed for companies that took the export test. By month 36, at least 100 companies make use of services to meet the technical requirements for market access, partially financed (an average of 50% cofinanced) by the project. 	<ul style="list-style-type: none"> Semiannual progress reports and final report presented by the PCU PPMRs Midterm and final evaluations by external consultants PCR Inspection visits by the Country Office specialist Statistics on approved services generated by the component's software ADEX report on number of requests for technical assistance received from SMEs ADEX report of number of consulting services contracted ADEX report on services approved and implemented 	<ul style="list-style-type: none"> The SMEs have sufficient technical and trade capacity to implement the TRAPs. The SME sector shows interest in taking advantage of the export opportunities offered by the FTA, through their willingness to increasingly cover the cost of the consulting services.
<p>Component III: Partnerships, coordination, and monitoring the FTA on market access</p>	<ul style="list-style-type: none"> Meetings with technical personnel from U.S. government agencies that deal with nontariff measures (FDA, APHIS, Customs Service, etc.) held in months 8, 20, and 32. Annual workshops and seminars with public and private institutions of other countries in the Hemisphere to share lessons learned on U.S. market access, held in months 14, 28, and 36. 	<ul style="list-style-type: none"> Semiannual progress reports and final report presented by the PCU PPMRs Midterm and final evaluations by external consultants PCR Inspection visits by the Country Office specialist 	<ul style="list-style-type: none"> The institutions that attend the meetings and workshops have the interest and capacity to develop policies and programs to support SMEs' access to the U.S. market. The conditions for gaining access to related cooperation projects can be met by the SMEs that apply.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> Report to update inventory of cooperation projects related to SMEs, in months 12, 24, and 36. At least 50 SMEs have applied to other projects with ADEX support, by month 36, as follows: five companies by month 12, 15 by month 24, and 30 by month 36. Four coordination workshops with other projects held at project end. 	<ul style="list-style-type: none"> Lists of participants in workshops and coordination meetings Records of the inventory of related projects 	<ul style="list-style-type: none"> Complementary projects that provide support contribute effectively to helping SMEs overcome technical requirements for market access (including barriers related to technology, finances, and scale).
Activities			
Component I: Identification, information, and dissemination of technical requirements for gaining market access and tapping opportunities created by the FTA.	Total: US\$292,320 MIF: US\$ 93,000 Counterpart: US\$199,320		
1.1 Inventory of selected products identified by 8-digit HTS ² code, for which the technical requirements for market access will be defined. 1.2 Technical sheets on nontariff restrictions, by product and group of products, prepared and distributed (milestone) 1.3 Practical guide on the FTA that specifically addresses nontariff technical requirements designed, prepared, and distributed to SMEs and technical personnel.	1.1 By month 3, an inventory of at least 200 products has been made, defining the technical requirements for market access. 1.2 Technical sheets on nontariff restrictions, by product and group of products, prepared and distributed for at least 200 of the products on the inventory, before month 12. 1.3 5,000 practical guides prepared by month 6 and distributed by month 12.	<ul style="list-style-type: none"> Progress reports and final report Midterm and final evaluation reports Product inventory database Product-specific sheets prepared Practical guide in print and CD format Record of delivery of guide and CD Evaluation sheet per service provided Evaluation report by event/ Annual report and evaluation List of participants in training events 	<ul style="list-style-type: none"> Specialists available to conduct inventories and prepare technical sheets on nontariff restrictions, by product and group of products. SMEs remain interested and willing to receive information. SMEs have computer equipment or access to same. The selected dissemination tools (including the web portal) effectively reach the SMEs.

² HTS: Harmonized Tariff Schedule, 2000.

Objectives	Indicators	Means of verification	Assumptions
<p>1.4 Project launch seminar.</p> <p>1.5 17 regional seminars.</p> <p>1.6 Inclusion of a module containing project information on the ADEX website.</p> <p>1.7 Design and implementation of a mechanism for consultation and for monitoring nontariff measures for U.S. market access.</p>	<p>1.4 Launch seminar held before month 3.</p> <p>1.5 17 regional seminars held before month 18.</p> <p>1.6 Module designed and operating by month 6; by month 36, receiving at least an average 50 hits per day from different users.</p> <p>1.7 Mechanism for monitoring market access designed and operating by month 12, which receives at least 300 queries by project end.</p>	<ul style="list-style-type: none"> ▪ Project module introduced in ADEX website ▪ Number of visitors to the project module on the ADEX website ▪ Number of queries received through the project's contact module on the ADEX website ▪ Consulting service contracts 	
<p>Component II: System for strengthening supply and coordinating the supply of and demand for services.</p>	<p>Total: US\$891,600 MIF: US\$660,000 Counterpart: US\$231,600</p>		
<p>2. Subcomponent II.A: System for strengthening the supply of consulting services on technical requirements of gaining market access.</p> <p>2.1 Training courses for consultants on technical requirements for U.S. market access.</p> <p>2.2 At ECEX, creation and implementation of a module for specialization in nontariff measures for U.S. market access.</p>	<p>Total: US\$101,000 MIF: US\$80,000 Counterpart: US\$21,000</p> <p>2.1 At least 10 training courses held on technical requirements for U.S. market access; 5 before month 8, and 5 before month 12.</p> <p>2.2 By project end, at least 100 participants trained through the specialization module: 50 by month 24 and 50 by project end.</p>	<ul style="list-style-type: none"> ▪ Consultant's report ▪ Technical reports produced ▪ Records of participants ▪ Annual report and evaluation ▪ Records of courses/seminars ▪ Progress reports and final report ▪ Midterm and final evaluations ▪ Semiannual reports and final report of the executing agency ▪ Midterm and final evaluations 	<ul style="list-style-type: none"> ▪ There is a critical mass of consultants to be trained and who perceive companies' need for assistance in dealing with technical requirements for gaining access to the U.S. market.

Objectives	Indicators	Means of verification	Assumptions
3. Subcomponent II.B: System to coordinate the supply of and demand for consulting services on technical requirements for gaining U.S. market access	Total: US\$700,600 MIF: US\$535,000 Counterpart: US\$165,600		
3.1 Technical assistance for implementing the open window to serve businesses 3.2 Publicize the window. 3.3 Design and implement an export potential test to be conducted by ADEX. 3.4 Regional support for SMEs to facilitate coordination of the supply of and demand for services on technical requirements for U.S. market access 3.5 Conduct diagnostic assessments.	3.1 Window implemented and software operating by month 6 of year 1. 3.2 24 announcements in the ADEX journal by month 36, and 48 communications through electronic bulletins to ADEX members, by month 36. 3.3 Export potential test designed and being offered by ADEX by month 6. Test administered in at least 50 SMEs before month 12, 100 before month 21, and 150 before month 30. 3.4 Pilot regional office to serve SMEs operating by month 12. 3.5 Before month 30, at least 150 diagnostic assessments of problems gaining access to U.S. market; 50 assessments by month 12; 75 by month 18; 25 by month 24.	<ul style="list-style-type: none"> ▪ Software manual ▪ Consultant's report ▪ Technical reports produced ▪ Services approved ▪ Record of SMEs ▪ Report on consulting services contracted ▪ Report on consultants registered in the system and available on the website. ▪ Progress reports and final report ▪ Design of the test ▪ Reports on the test administered at SMEs ▪ Agreement with SMEs ▪ Diagnostic assessment reports ▪ Project reports ▪ Financial reports ▪ Consulting service contracts ▪ Documents demonstrating that the regional office has been established ▪ Semiannual reports and final report of the executing agency ▪ Midterm and final evaluations ▪ Student reports 	<ul style="list-style-type: none"> ▪ The MSMEs have the resources to cover their share of the export potential test, the diagnostic assessment, and the technical assistance.

Objectives	Indicators	Means of verification	Assumptions
<p>3.6 Technical Requirement Adjustment Plan (TRAP) for gaining access to the U.S. market</p> <p>3.7 ISTECEX students follow up on and monitor the recommendations made by the consultants to the SMEs.</p>	<p>3.6 By project end, at least 100 TRAPs formulated for at least 100 companies for execution; 25 by month 18, 25 by month 24, and 50 by month 36 of execution. By project end, at least 20 TRAPs prepared with companies in the pilot region, for executing plans to address technical requirements for gaining access to the U.S. market.</p> <p>3.7 20 students make recommendations for following up on and monitoring consultants' recommendations, by month 30.</p>		
<p>4. Component III: Partnerships, coordination, and monitoring the FTA on market access.</p> <p>4.1 Coordination and liaison with the U.S. government institutions that work with nontariff measures (NTM).</p> <p>4.2 Workshops with public and private institutions from other countries in the Hemisphere to share lessons learned on gaining U.S. market access</p>	<p>Total: US\$70,400 MIF: US\$28,625 Counterpart: US\$99,025</p> <p>4.1.1 Three bilateral meetings held by month 36; at least one annual meeting.</p> <p>4.1.2 Six internships in U.S. Customs, FDA, EPA, and APHIS; two technical personnel per institution by month 18.</p> <p>4.2 Three workshops held at months 14, 28, and 36.</p>	<ul style="list-style-type: none"> ▪ Report on business plan ▪ Progress reports and final report ▪ Midterm and final evaluation ▪ Financial reports ▪ Progress reports ▪ Consulting service contracts ▪ Semiannual reports and final report of the executing agency ▪ Midterm evaluations and final evaluation by external consultant ▪ PCR ▪ PPMR 	<ul style="list-style-type: none"> ▪ The technical specialists trained through the internships remain committed to continue providing services throughout the life of the project. ▪ U.S. government institutions are receptive to coordinating and working with the project. ▪ Public and private institutions of the countries in the Hemisphere are receptive to sharing experiences and lessons learned in supporting SMEs in gaining access to the U.S. market. ▪ Other projects that support the foreign trade activities of SMEs wish to coordinate efforts with the project.

Objectives	Indicators	Means of verification	Assumptions
4.3 Coordination with other projects that support the foreign trade activities of SMEs, to seek complementarity and avoid duplication.	4.3.1 Six coordination workshops with other projects by project end; at least two per year. 4.3.2 Project information on foreign trade activities of SMEs included in the ADEX website module, by month 12 and updated continually.		

SUMMARY OF ITEMIZED BUDGET

ASSISTANCE TO SMALL AND MEDIUM-SIZED ENTERPRISES ON TECHNICAL REQUIREMENTS FOR GAINING MARKET ACCESS UNDER THE FREE TRADE AGREEMENT WITH THE UNITED STATES

Budget Items	MIF (US\$)	Local (US\$)	Total (US\$)
Coordination and logistics	73,500	247,300	320,800
Project Coordination Unit	73,500	175,500	249,000
Logistics	0	71,800	71,800
Component I. Raising awareness and interinstitutional coordination	93,000	199,320	292,320
1.1 Product inventory	0	18,000	18,000
1.2 Technical requirement sheets	73,000	56,800	129,800
1.3 Practical guide to FTA	0	34,500	34,500
1.4 Seminars	0	72,500	72,500
1.5 Web module	0	17,520	17,520
1.6 Market access monitoring system	20,000	0	20,000
Component II: System for Strengthening Supply and Coordinating the Supply of and Demand for Services	660,000	231,600	891,600
Component coordinator	45,000	45,000	90,000
Subcomponent II.A: System for strengthening the supply of consulting services on technical requirements for gaining market access	80,000	21,000	101,000
2.1.1 Training	80,000	21,000	101,000
Subcomponent II.B: System for coordinating the supply of and demand for consulting services on the technical requirements for gaining U.S. market access	535,000	165,600	700,600
2.2.1 Implementation of open window to serve companies	20,000	21,200	41,200
2.2.2 Pilot technical assistance in regions	15,000	53,400	68,400
2.2.3 Application of export potential test	0	30,000	30,000
2.2.4 Diagnostic assessments	100,000	5,000	105,000
TRAP	400,000	56,000	456,000
Component III: Partnerships, coordination, and monitoring the FTA on market access	70,400	28,625	99,025
3.1 Coordination and liaison with the FDA, Customs Service, APHIS, etc. in the U.S.	43,200	19,125	62,325
3.2 Coordination with other countries	27,200	1,500	28,700
3.3 Coordination and liaison	0	8,000	8,000
SUBTOTAL	896,900	706,845	1,603,745
Contingencies 3%	26,907	0	26,907
Baseline and midterm and final evaluations	70,000		70,000
Audits (4)	20,000		20,000
TOTAL	1,013,807	706,845	1,720,652
Cluster activities	30,000		30,000
GRAND TOTAL	1,043,807	706,845	1,750,652
Percentage (excluding cluster activities)	59%	41%	100%

RELATED PROJECTS (PE-M1035)

A. Projects in the facilitation of International Trade and Investment cluster

Project number and approval date	Project title, executing agency, and amount	Date signed and disbursement period in months	Amount disbursed	Observations
ATN/MT-7080-RG 11 July 2000	Implementation of Customs-related Measures to Facilitate Business Inter-American Center of Tax Administration (CIAT) MIF contribution: US\$3 million	25 September 2000 60 months	100%	The project concluded satisfactorily.
ATN/MT-7123-RG 1 September 2000	Harmonization of Investment Regimes in CARICOM Caribbean Community (CARICOM) MIF contribution: US\$410,000	27 October 2000 47 months	81%	Although the project's disbursement period has concluded, an extension was approved to be able to finalize payment of outstanding consulting services. The activities were carried out satisfactorily.
ATN/MT-7957-RG 24 July 2002	Support of Agricultural Trade through the Harmonized Regional Application of Sanitary and Phytosanitary Measures Regional International Organization for Plant and Animal Health (RIOPPAH) MIF contribution: US\$1.51 million	22 October 2002 48 months	54%	The project was classified as satisfactory. The coordinators in the eight countries, and the consulting services to characterize services and review legislation, were contracted efficiently and transparently. It is worth mentioning that the assumptions are holding true. The executing unit is operating efficiently and to satisfaction.
ATN/MT-8026-RG 25 September 2002	Modernization of Customs and Border Crossings Secretariat of the General Treaty on Central American Economic Integration MIF contribution: US\$2,015,000	22 August 2003 36 months	10%	With the exception of the delay of the CABEL counterpart contribution, the project is being executed on schedule and in accordance with the logical framework.

Project number and approval date	Project title, executing agency, and amount	Date signed and disbursement period in months	Amount disbursed	Observations
ATN/MT-8225-RG 19 February 2003	Overcoming Technical Barriers to Trade through Strengthening Accreditation Systems Mexican Accreditation Entity US\$495,000	22 May 2003 30 months	35%	The project has been classified as unsatisfactory. While there has been around 50% progress in terms of activities, in terms of disbursements, progress has been 35%. This is low given the fact that the principal consulting service activities have not been carried out, and the estimated costs of the project are higher than the costs actually being obtained.
ATN/ME-8352-AR 25 June 2003	System for Facilitating International Market Access by Small and Medium Rural Producers Fortalecer Foundation MIF contribution: US\$1.5 million	15 September 2003 42 months	19%	The project has been classified as satisfactory. No significant modifications have been made in the assumptions that could have a negative effect on the achievement of project objectives.
ATN/ME-8533-RG 3 December 2003	Market Access and Integration through Technical Standards Colombian Institute of Technical Norms and Accreditation MIF contribution: US\$2,790,940	8 June 2004 42 months	6%	The project has been classified as satisfactory. The agreement was signed last 15 June and was eligible for disbursements in September 2004. To date, the program has been preparing the activities that will result in a timely achievement of proposed targets. All the assumptions continue to be very likely to occur.
ATN/ME-8532-RG 3 December 2003	Market Access and Integration Through Technical Standardization Uruguayan Institute of Technical Norms (UNIT) MIF contribution: US\$2,498,120	7 July 2004 54 months	20%	The program has been classified as satisfactory. The program is launching operations, and the involvement of all the subexecuting agencies is promising. The conditions precedent were fulfilled in five months, which is satisfactory given that this regional program is being implemented in four countries.

Project number and approval date	Project title, executing agency, and amount	Date signed and disbursement period in months	Amount disbursed	Observations
ATN/ME-8530-EC 3 December 2003	Mitigate Market Access Barriers under the Andean Trade Act Export and Investment Promotion Corporation (CORPEI) MIF contribution: US\$1,323,492	2 April 2004 36 months	2%	The program has been classified as satisfactory. Phytosanitary requirements have been disseminated, the means for addressing them have been established and can be applied with the guidance of participating institutions. The effectiveness of the interagency agreements, the involvement of SESA and the CORPEI, and APHIS support make it highly likely that the program will be effectively implemented and that program targets and objectives will be met.
ATN/MT-8694-RG 28 April 2004	Strengthening the Private Sector's Role in the Caribbean Community's External Trade Negotiations Caribbean Community MIF contribution: US\$1,060,500	1 July 2004 42 months	12%	The project has been classified as satisfactory. The CRNM has begun the activities necessary to fulfill the conditions precedent to the first disbursement.
ATN/ME-8950-UR 17 November 2004	Positioning of Agricultural Producer Groups in Export Markets Asociación Empretec of Uruguay MIF contribution: US\$890,000	21 December 2004 42 months	10%	This project has an overall satisfactory rating. Twenty-two groups have been established with 1,200 producers, with the expectation that at least 20 groups and 1,000 producers will complete the program.
ATN/ME-8974-CH 1 December 2004	Helping SMEXs to Capitalize on Trade Agreements ProChile of the Min. of Foreign Affairs and Chamber of Commerce of Santiago (CCS) MIF contribution: US\$2,075,000	9 May 2005 42 months	10%	The program is progressing normally. In terms of execution, the program's launch events have been implemented, and SMEs have expressed strong interest in participating in the program. The experts who will advise the first group of companies to receive support are expected to be hired during the first quarter of 2006.
ATN/ME-8976-RG 1 December 2004	SME Competitiveness through Tech. Standardization in C/A, DR & PN Institute of Technical Standards of Costa Rica (INTECO) MIF contribution: US\$2,521,684	21 March 2005 42 months	1%	The conditions precedent are in the process of being met..

Project number and approval date	Project title, executing agency, and amount	Date signed and disbursement period in months	Amount disbursed	Observations
ATN/ME-8990-RG 8 December 2004	Strengthening Market Access for SMEs in Caribbean Agri-food industry Caribbean Agribusiness Association (CABA) MIF contribution: US\$2,648,772	13 January 2005 42 months	0%	The conditions precedent are in the process of being met. Two of the six conditions have been met.
ATN/ME-8991-RG 8 December 2004	Promoting SME Competitiveness through Technical Standards CARICOM Regional Organization for Standards and Quality (CROSQ) MIF contribution: US\$1,276,635	1 June 2005 42 months	0%	The executing agency is in the process of meeting the conditions precedent.
ATN/ME-9271-EC 30 June 2005	Cooperative SME Operations in the Floriculture Value Chain National Association of Flower Producers and/or Exporters of Ecuador - Expoflores MIF contribution: US\$1,643,628	24 October 2005 42 months	0%	The conditions precedent are in the process of being met.
ATN/ME-9353-AR 10 August 2005	SME products in East Asia CANE Foundation in cooperation with the Okita Foundation MIF contribution: US\$1,550,300	24 August 2005 36 months	10%	The conditions precedent are in the process of being met.
Regional ATN/ME-9564-RG (AR) ATN/ME-9565-RG (BR) ATN/ME-9566-RG (PA) ATN/ME-9567-RG (UR)	Support for international trade liberalization and integration process SRA-ICONE-AR			
ATN/MT-9833-RG 31 May 2006	Harmonized regional quality infrastructure for improving market access and competitiveness (CROSQ)			

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Peru. Nonreimbursable Technical Cooperation ATN/ME-____-PE
Assistance to Small and Medium-sized Enterprises on Technical Requirements for Gaining
Market Access under the Free Trade Agreement with the United States

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 Asociación de Exportadores de Peru (ADEX), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation to provide assistance to small and medium-sized enterprises on technical requirements for gaining market access under the free trade agreement with the United States.

2. That up to the amount of US\$1,043,807, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

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PE-M1035