

TECHNICAL COOPERATION PROFILE

SEPTEMBER 17, 2008

REGIONAL

I. BASIC PROJECT DATA

Country/Region:	Regional.		
Program Name/Number:	Capacity Building for the Implementation and Administration of Free Trade Agreements. RG-T1591.		
Team Leader/Members:	Carolyn Robert (INT/INT) / Kea Wollrad (INT/INT); Sara Marzal (INT/INT); Rosina de Souza (LEG/SGO); and Cecilia Seminario (INT/INT).		
Beneficiaries:	Bank borrowing member countries.		
Executing Agency:	The Bank.		
Amount and Source of Financing:	IDB (net income FSO):	US\$	350,000
	Total:	US\$	350,000
Technical and Basic Responsibility:	Integration and Trade Sector (INT/INT)		
Tentative Dates:	Approval	October, 2008.	

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 Over the past few years, Latin American and Caribbean countries (LAC) have engaged in the negotiation of multilateral, regional and bilateral trade agreements. In addition to the existing and more traditional sub-regional integration schemes —such as the Andean Community, the Central American Common Market, Caribbean Community, and MERCOSUR—LAC countries have recently concluded more than 40 bilateral, regional and extra regional trade agreements.
- 2.2 Such free trade agreements have the potential to be an engine for growth that could lift millions of people out of poverty by generating many new trade and economic opportunities. However, in order to take advantage of such opportunities, countries of the region need to ensure, among other things, that these agreements are fully implemented and administered in an effective and timely fashion. That constitutes a significant challenge, as many countries lack the institutional capacity to do so and/or need to put in place innovative and adequate institutional process and infrastructure involving several public and private agencies.

- 2.3 Many of the newly adopted trade agreements have a very broad scope and affect very diverse areas of the economic and legal system of the signing countries. Moreover, many of them entail important changes at the different levels of the countries' government, by requiring sometimes the creation of new institutions, the passing of new and sophisticated regulations, and the ability of institutions to coordinate closely and to work in a different coordination environment. It also requires the enforcement of such regulations by trained and specialized administrative bodies.
- 2.4 In this regard, disciplines complex areas as intellectual property, dispute settlement and also enforcement of labor and environmental standards, pose particular challenges for LAC countries. Indeed, the intellectual property provisions included in many of those agreements require the existence of adequate regulatory systems, specialized agencies and highly trained officials. Also, the framework for the implementation and administration of trade agreements requires the establishment of a good control system for dealing with trade disputes that could arise within the scope of these agreements, which guarantees adequate defense of LAC countries commercial interests. Yet, many LAC countries do not have sufficiently developed intellectual property offices with well trained personnel. Similarly, very few LAC countries possess dispute settlement bodies with real capacity to assist their governments in the event disputes should arise between trading partner countries, particularly with respect to the new chapters of social and environmental standards.
- 2.5 Hence, in order to confront the challenges associated to the implementation of the recently adopted free trade agreements and to be able to take profit of the economic and commercial opportunities that are resulting from the trade liberalization process, it is necessary for LAC countries to (i) have an accurate understanding of the magnitude and scope of such challenges; and (ii) develop strategies aimed at improving the efficiency of the regulatory and institutional structures in charge of implementing and administering those agreements and ensuring compliance with its provisions.

III. PROGRAM OBJECTIVE AND DESCRIPTION

Objective

- 3.1 The objective of the present project is to support the countries in Latin America in solving key challenges and problems associated with the implementation and administration of recently adopted international trade agreements, so that they are in a better position to take advantage of the new trade opportunities resulting from trade liberalization.

Description

- 3.2 The project has five components:
- 3.3 **Component I: Comparative Assessment of Challenges in the Implementation and Administration of FTAs.** This component will consist in the preparation of a comparative study that will assess the most important problems and challenges that Latin-

American countries face with regard to an adequate and timely implementation and administration of trade agreements, with special emphasis in the areas of institutional capacity, including inter-governmental coordination, and enhancement of private sector participation.

- 3.4 **Component II: Identification of “Best Practices” in the Implementation of FTAs.** This component will consist in the preparation of two studies that will identify “best practices” and lessons that can be learned from Mexico and Canada, two countries with vast experience in successfully implementing and administering the commitments they assumed as signatories to free trade agreements.
- 3.5 **Component III: Analysis of Problems in Implementing and Administering certain FTA Provisions.** This component will consist of four pilot studies that will explore the specific problems that Latin American countries face in the implementation and administration of free trade agreement on selected key areas, which due to their novelty and/or complexity, can be particularly challenging: (a) intellectual property; (b) enforcement of labor standards; (c) enforcement of environmental standards; and (d) dispute settlement.
- 3.6 **Component IV: Preparation of a Methodology to Monitor FTA Implementation.** This component will consist in the preparation of a methodology that will include a system of indicators to monitor the degree to which countries (i) comply with free trade agreement provisions and (ii) have been able to take advantage of the new trade opportunities created by the agreements. The study will take into account any progress that has been made on indicators, in the context of the Aid for Trade Initiative, including existing trade indicators developed by other international organizations.
- 3.7 **Component V: Transfer of Knowledge and Intra-Regional Experiences.** This component will consist in the organization of two workshops for high level policy makers of Latin America. The workshops will transfer the knowledge and promote dialogue among the countries of the region on the studies that will have been produced under Components I to IV.

IV. BUDGET

- 4.1 The total cost of the project and the Bank’s contribution will be US\$350,000. A budget summary is shown below.

Component	Amount (US\$)
Component I: Comparative study of principal challenges	30,000
Component II: Identification of best practices	50,000
Component III: Analysis of certain FTA provisions	80,000
Component IV: Methodology to monitor FTA implementation	20,000
Component V: Transfer of knowledge and experiences	146,000
Contingencies	24,000
Total	350,000

- 4.2 The Bank's contribution for this TC will be non-reimbursable and charged against the net income of the Fund for Special Operations (FSO).

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Bank will be the executing agency for this project. The Integration and Trade Sector will have the responsibility for both the technical aspects of the project as well as the disbursement of its resources.

VI. MAJOR ISSUES

- 6.1 No major issues are expected to negatively affect the timely processing and execution of this TC.

VII. ACTION PLAN

- 7.1 The estimated schedule for preparation of the project is the following:

QRR	September 15, 2008
Approval	October 3, 2008

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The project will have no direct environmental or social impact. It finances studies and workshops that support LAC policy-makers in the implementation and administration of free trade agreements. While these agreements include chapters that could and probably will have a social and environmental impact, the TC resources will help LAC countries' institutions comply with commitments that they have already assumed as signatories to the agreements.
- 8.2 In accordance with the Safeguard Policy Filter Report (#2008-08291407-2), the project does not require complementary environmental or social actions. Moreover, in accordance with the Safeguard Screening Form (# 2008-08291703-2), the operation has been classified as category "C".

Approved by: _____
(original signed)
 Antoni Esteveordal
 Manager, INT/INT

Date: (Sep. 11, 2008)