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REGIONAL

CAPACITY BUILDING FOR THE IMPLEMENTATION AND ADMINISTRATION OF FREE TRADE AGREEMENTS

(RG-T1591)

PLAN OF OPERATIONS

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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN THE FILES OF INT

EXECUTION:

ANNEX III

Draft Terms of Reference for Project Consultants:

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?DOCNUM=1622408>

ABBREVIATIONS

ESR	Environmental and Social Review
FSO	Fund for Special Operations
FTA	Free Trade Agreement
IDB	Inter-American Development Bank
INT/INT	Integration and Trade Sector
LA	Latin America
LEG/SGO	Legal Department Sovereign Guaranteed Operations
PCR	Project Completion Report
PPMR	Project Performance and Monitoring Reports
RTC	Regional Technical Cooperation
TC	Technical Cooperation
VPC/GCM	Grants and Cofinancing Management Unit
WTO	World Trade Organization

**“CAPACITY BUILDING FOR THE IMPLEMENTATION AND ADMINISTRATION
OF FREE TRADE AGREEMENTS”
(RG-T1591)**

I. EXECUTIVE SUMMARY

Beneficiaries:	IDB borrowing member countries in Latin America.
Team	Carolyn Robert (INT/INT) / Kea Wollrad (INT/INT); Sara
Leader/Members:	Marzal (INT/INT); Rosina de Souza (LEG/SGO); and Cecilia Seminario (INT/INT).
Executive Agency:	Inter-American Development Bank.
Target Beneficiaries:	Public sector agencies concerned with the implementation and administration of trade agreements in the beneficiary countries.
Sources of Funding:	IDB: net income of the Fund for Special Operations (FSO): US\$ 350.000 Total: US\$ 350.000
Objectives:	The objective of the present project is to support Latin American countries in solving key challenges and problems associated with the implementation and administration of recently adopted international trade agreements.
Execution Timetable	Execution Period: 18 months. Disbursement Period: 24 months.
Special Contractual Conditions:	None.
Exceptions to Bank Policies and Procedures:	None.
Environmental and Social Review:	The Profile of this operation was cleared by ESR on September 2 nd , 2008.
Coordination with other Official Development Finance Institutions:	The Bank is coordinating its activities on regional trade agreements, their effective implementation and its impact on the multilateral trading system with the World Trade Organization (WTO) and individual donor countries. This TC is part of the aforementioned framework of international coordination and collaboration.

II. BACKGROUND AND JUSTIFICATION

A. Problem Definition

- 2.1 Over the past few years, Latin American 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—Latin-American and Caribbean countries have

recently concluded more than 40 bilateral, regional and extra regional trade agreements.

- 2.2 These 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 the 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 processes and infrastructure involving several public and private agencies.
- 2.3 Many of the newly adopted trade agreements have a very broad scope and affect various 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 Such agreements constitute a trade and investment policy priority for the countries that have adopted them. That explains the significant reform efforts that have been made by many Latin-American countries, not only to negotiate them, but, more importantly, to allow them to enter into force. As part of the process, promises have been made on the potential benefits of those agreements, including forecasts and estimates regarding potential export growth.
- 2.5 However, such aspects will not guarantee that countries will actually benefit from the trade opportunities they created, unless additional significant reforms are put in place in the short and medium term. Many countries in Latin America are now struggling to make sure those opportunities are seized, and have expressed that the time has come to ensure that this goal is achieved. But benefits from trade liberalization need also to be adequately shared and distributed within countries. Doing that requires fundamental efforts in terms of enhancement of regulations, institutional capacity, inter-governmental coordination, participation of the private sector and civil society, among other factors.
- 2.6 In this regard, for example, disciplines as complex as intellectual property, dispute settlement and also enforcement of labor and environmental standards pose particular challenges for Latin American countries. Indeed, the intellectual property provisions included in many of those agreements are not only very sophisticated, but their effective implementation requires the existence of adequate regulatory systems, specialized agencies and highly trained officials. Yet, many Latin-American countries do not have sufficiently developed intellectual property offices with well trained personnel. 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 Latin-American countries commercial interests, but also ultimately prevent disputes from arising. Similarly, very few Latin-American countries possess dispute settlement bodies with real capacity to prevent disputes and to assist their governments in the event disputes should arise between trading partner countries, particularly with respect to new areas, including the new chapters of social and environmental standards.

- 2.7 Hence, in order to confront the challenges associated to the implementation of the recently adopted free trade agreements and to be able to take advantage of the economic and commercial opportunities that are resulting from the trade liberalization process, it is necessary for the countries of the region to (i) have an accurate understanding of the magnitude and scope of such challenges; and (ii) develop strategies aimed at improving the effectiveness and efficiency of the institutions that are in charge of the regulation and administration of those agreements, ensuring compliance with its provisions.

B. Relation with Bank Regional and Sector Strategies

- 2.8 The project is consistent with the Bank's strategy on regional integration (GN-2245-1).
- 2.9 In recent years, the Bank, through the Integration and Trade Sector (INT) has been giving crucial assistance to Latin-American and Caribbean countries in the negotiation of free trade agreements. Latin American countries are now confronted with the challenge of implementing them in an adequate way to ensure that benefits are materializing. The Bank has started to focus on what can be called as a new generation of assistance, which is targeting precisely implementation, as opposed to negotiation challenges. This project will draw from and incorporate the results of projects currently under execution on the subject, such as the regional technical cooperation (RTC) projects "Legal and Institutional Reforms for the Implementation of Trade Agreements: Lessons from the Chilean Experience" (ATN/CC-10886-RG), which analyzes the experience and lessons that can be learned from the Chilean experience in implementing FTAs, and "Strengthening of Rules of Origin Administration for the Implementation of Trade Agreements" (ATN/CC-10700-RG), which focuses on the very technical and complex issue of rules of origin. Finally, this project will be closely coordinated with "Aid for Trade - Strengthening capacities in labor and environmental standards in LAC" (RG-T1592), which focuses on labor and environmental issues for only certain specific Latin-American countries, taking into account the results already achieved by this last initiative.

C. Coordination with Other Official Development Institutions

- 2.10 The Bank, through its Integration and Trade Sector (INT), is coordinating its activities on regional trade agreements, their effective implementation and its impact on the multilateral trading system with the World Trade Organization (WTO) and individual donor countries. This TC is part of the aforementioned framework of international coordination and collaboration.

III. PROGRAM DESCRIPTION

A. Goal and purpose

- 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.

B. Components

- 3.2 The present project has five components:

1. Comparative Assessment of Challenges in the Implementation and Administration of FTAs

- 3.3 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. Specifically, the comparative study will assess the nature of problems that selected countries experience with regard to the implementation of newly adopted trade agreements, the impact such problems have or will have in the short and medium term on the trade performance capacity of the countries and on their ability to take advantage of preferential trade and/or investment opportunities. Such countries will be selected by INT taking into account (a) which countries from the region have been more active in the adoption of FTAs, and, (b) which countries, among the most actives, can be said to be more representative of the entire group.
- 3.4 This component will finance (i) the honoraria of the consultants hired for the preparation of the study, and (ii) the publication of the study.

2. Identification of “Best Practices” in the Implementation of FTAs

- 3.5 Mexico and Canada are two countries with vast experience in adjusting to and complying with the commitments set forth in free trade agreements. This

component will consist in the preparation of two studies that will analyze the Mexican and Canadian experience, identify “best practices” and lessons that can be learned from their implementation and administration process of trade agreements. This activity will complement a study that is currently under execution and financed by the Bank to assess the experience from Chile in implementing and administering trade agreements.

- 3.6 This component will finance (i) the honoraria of the consultants hired for the preparation of the two studies (the Mexican and Canadian experience, respectively), and (ii) the publication of the studies.

3. Analysis of Problems in Implementing and Administering Certain FTA Provisions

- 3.7 This component will consist of four 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.
- 3.8 This component will finance (i) the honoraria of four consultants hired for the preparation of each one of these four studies, and (ii) the publication of the four studies.

4. Preparation of a Methodology to Monitor FTA Implementation

- 3.9 Under this component, a consultant will be hired to develop a methodology that will include a system of indicators to monitor the degree of a country’s compliance with free trade agreement provisions and the degree to which a country has 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.
- 3.10 This component will finance the honoraria of the consultant hired for the preparation of this study.

5. Transfer of Knowledge and Intra-Regional Experiences

- 3.11 This component will consist in the organization of two workshops for high-level policy makers of Latin American countries. The objective of the workshops is to transfer the knowledge generated as a result of the studies prepared under Components 1 - 4 and promote dialogue among countries of the region on these issues.
- 3.12 One of the two workshops will be devoted to the first comparative study of main challenges and problems in the Latin-American region for the implementation and

administration of free trade agreements, with special emphasis on issues of institutional capacity (Component 1). Additionally, during this workshop the results of the study on a system of indicators (Component 4) will be discussed.

- 3.13 The second workshop will focus on the specific challenges in the areas of intellectual property, enforcement of labor and environmental standards and dispute settlement (studies identified in Component 3).
- 3.14 The “best practices” or lessons extracted from the Mexican and Canadian experience (Component 2) will be presented and discussed during both workshops.
- 3.15 This component will cover (i) the organizational costs of the two workshops and (ii) the participation of up to 40 high-level policy makers from Latin America in the two workshops

IV. BUDGET

A. Cost Table

Components	Amount (US\$)
Component 1: Comparative study of principal challenges	20,000
• Honoraria consulting services	15,000
• Travel and per diem	5,000
• Publication	5,000
Component 2: Identification of best practices (2 studies)	50,000
• Honoraria consultants: \$20,000/each	40,000
• Travel and per diem	5,000
• Publication	5,000
Component 3: Analysis of certain FTA provisions (4 studies)	80,000
• Honoraria consultants : \$15,000/each	60,000
• Travel and per diem: \$2,500/each	10,000
• Publication: \$2,500/each	10,000
Component 4: Methodology to monitor FTA implementation	20,000
• Honoraria consultant	15,000
• Travel and per diem	2,500
• Publication	2,500
Component 5: Transfer of knowledge and experiences	146,000
• <u>Facilitators (2):</u>	<u>16,000</u>
○ Honoraria: \$6,000/each	12,000
○ Travel and per diem: \$2,000/each	4,000
• <u>Participants:</u>	<u>76,000</u>
○ Travel: 40 participants x \$1,500	60,000
○ per diem: 40 participants x 2 days x \$200/day	16,000
• <u>Logistics:</u>	<u>54,000</u>
○ Equipment rental	20,000
○ Simultaneous interpretation	4,000
○ Administrative support	20,000
Contingencies	34,000
Total	350,000

B. Description, composition, and sources of funding

- 4.1 The total cost of the project and the Bank's contribution will be US\$350,000. The Bank's contribution for this TC will be charged against the net income of the Fund for Special Operations (FSO).

V. EXECUTING AGENCY AND MECHANISM

A. Executing agency

- 5.1 The Bank through the Integration and Trade Sector (INT/INT) will be responsible for the execution of this project.
- 5.2 There are three reasons to support the role of the Bank as executing agency for this project. First, there is no other institution in the region or beyond that has both the mandate and the institutional capacity to execute this TC. Second, in view of the strategic importance of the topics, a Bank-executed project will ensure that the outputs will be of excellent quality and the workshops will be attended by high-level policy-makers. Third and most importantly, the project is part of the WTO-IDB partnership of aid-for-trade mobilization in Latin America. The Regional Review Meeting that both institutions organized in Lima (Peru) in September of 2007 to help Latin American policy makers prioritize their Aid-for-Trade agenda, highlighted the link between capacity building, successful implementation of trade agreements and generating FTA-related benefits to advance the social and economic development of the region¹. It also called upon the IDB to support LA countries in strengthening their institutional capacity in the area of FTA implementation.

B. Executing mechanism

- 5.3 The Integration and Trade Sector (INT/INT) will have the responsibility for both the technical aspects of the project as well as the disbursement of its resources.

C. Program implementation readiness

- 5.4 The project is ready for execution after Plan of Operation's approval on October, 2008.

D. Execution period and disbursement schedule

- 5.5 The project will be executed over a period of 18 months with a disbursement period of 24 months.

¹ WTO, IDB "Mobilizing Aid for Trade: Focus on Latin America and the Caribbean. Proceedings of the Regional Review Meeting". September 13-14, 2007. Lima, Peru.

E. Procurement

- 5.6 Procurement will be carried out according to the Bank's policies and procedures set forth in documents GN-2349-7 (Policies for the Procurement of Works and Goods Financed by the IDB) and GN-2350-7 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB).

VI. MONITORING AND EVALUATION

A. Monitoring

- 6.1 The Integration and Trade Sector (INT/INT) will monitor project implementation.

B. Technical and basic responsibility

- 6.2 The Integration and Trade Sector (INT/INT) will have the technical and basic responsibility of this operation.

C. Evaluations

- 6.3 In view of the activities financed by this operation (principally studies) and the fact that it will be executed by the Bank, an external evaluation is not deemed necessary.

VII. PROGRAM BENEFITS AND RISKS

A. Program benefits and developmental impact

- 7.1 The present project will produce policy-relevant analyses, methodologies and tools that will help trade policy makers in Latin America comply with trade commitments and position them to take greater advantage of new opportunities that arise as a result of international trade agreements. More specifically, the studies and subsequent workshops and forums for dialogue will provide Latin-American governments with opportunities to share experiences and lessons learned regarding the implementation and administration of trade agreements and present them with possible solutions for the most challenging problems in this area. Finally, the knowledge that this project is expected to generate will help them shape trade policy agendas with clear priorities and objectives.
- 7.2 The project is expected to produce benefits for the Bank as well. It will highlight key trade-related challenges in its borrowing member countries both on a national, subregional and regional level. The results of this project will therefore guide the Bank's activities in the sector, enabling the IDB in general and INT in particular to prioritize and target trade-related financial products and technical assistance.

B. Risks

- 7.3 In view of the fact that the Bank will execute this project, the team considers that there are no risks that could negatively affect the timely execution of the activities.

VIII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 8.1 The ESR reviewed the profile of this operation on September 2nd, 2008 and confirmed the environmental and social safeguard classification as “C” for this project.
- 8.2 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. The TC could have an indirect positive social and environmental impact, in the sense that some of these agreements commit LA countries to enforce high environmental and social standards. The TC resources will help LA countries to adequately enforce these standards.

IX. RECOMMENDATION

- 9.1 Carolyn Robert (INT/INT), designated team leader for the project of the reference, recommends the approval of this operation and the use of resources from the net income of the Fund for Special Operations (FSO) totaling up to US\$.350.000 in order to finance the corresponding project

X. CERTIFICATION

- 10.1 The Grants and Cofinancing Management Unit (VPC/GCM) certifies that US\$350.000 from the net income of the Fund for Special Operations is available for the financing of the project activities proposed in this project document (Plan of Operations).

_____(*original signed*)_____
Marguerite S. Berger
Chief, VPC/GCM

___*Nov. 7, 2008*___
Date

XI. APPROVAL

_____(*original signed*)_____
Antoni Estevadeordal
Manager, INT/INT

___*Nov. 12, 2008*___
Date

ANNEX I
LOGICAL FRAMEWORK
CAPACITY BUILDING FOR THE IMPLEMENTATION AND ADMINISTRATION OF FREE TRADE AGREEMENTS
(RG-T1591)
REGIONAL

Objectives	Indicators	Means of Verification	Assumptions
<p>Goal</p> <p>Help LA countries to take full advantage of the trade opportunities that open up as a result of FTAs.</p>	<p>Recommendations applied in several LA countries.</p>	<p>Official documents published by the respective Ministries of Trade and other agencies responsible for international trade issues.</p>	<p>Long-term political commitment to trade agreements.</p>
<p>Purpose</p> <p>Support LA countries in solving key challenges associated with the implementation and administration of trade agreements.</p>	<p>At the conclusion of the project: policy recommendations prepared and agreed upon among workshop participants to improve the implementation and administration of trade agreements.</p>	<p>PCR.</p>	<p>Support within the countries to implement legal and administrative reforms that will remove the obstacles towards successfully implementing and administering FTA provisions.</p>
<p>Components/Outputs</p> <p>Component 1: Comparative Assessment</p> <p>Component 2: Identification of best practices</p> <p>Component 3: Analysis of specific FTA provisions in the implementation and administration of FTAs</p>	<p>Study prepared on the most important problems and challenges in the area of implementation and administration of FTAs.</p> <p>Two (2) studies prepared on Canada and Mexico as examples of best practices in FTA implementation and administration.</p> <p>Four (4) studies prepared on key areas for the implementation and administration of FTAs: intellectual property; (ii) enforcement of labor standards; (iii) enforcement of environmental standards; and (iv) dispute settlement.</p> <p>Methodology developed.</p>	<p>Consultant's reports. Publication.</p> <p>Consultants' reports. Publication.</p> <p>Consultants' reports. Publication.</p> <p>Consultant's reports.</p>	<p>Workshop participants are high-level policy makers to ensure that the recommendations resulting from these events results are further disseminated and eventually applied in LA countries.</p>

Objectives	Indicators	Means of Verification	Assumptions
<p>Component 4: Preparation of a methodology to monitor FTA implementation</p> <p>Component 5: Transfer of knowledge and intra-regional experiences</p>	Two (2) workshops organized to disseminate the knowledge generated in components 1 – 4.	Reports of workshop facilitators and other documentation.	
<p>Activities</p> <p>Hiring of consultants.</p> <p>Tasks related to the organization of the workshops.</p>	Execution of the budget in accordance with the budget in the Plan of Operations.	Information available in the Loan Management System (LMS)..	Timely hiring of the qualified services as specified in the project document.

**Annex II
Procurement Plan²**

Annex II. Procurement Plan
RG-T1591
1

Project: Capacity Building for the Implementation and Administration of Free Trade Agreements
Project number: RG-T1591
Period included in this Procurement Plan: From: approx. 10/08 until 04/10

Ref. No. ⁴	Description and type of the procurement contract	Estimated Contract Cost (US\$)	Procurement method ⁵	Review (ex-ante or ex-post)	Source of financing and percentage		Pre-qualification ⁶	Estimated Dates		Status ⁷ (pending, in process, awarded, cancelled)	Comments
					IDB %	Local Other %		Publication of specific procurement notice	Completion of Contract		
1	<u>Goods</u> N/A										
2	<u>Civil Works</u> N/A										
3	<u>Non-consulting services</u> Equipment rental Simultaneous interpretation Administrative Support Publication of project studies	20,000 4,000 20,000 17,500	PC PC PC PC	N/A	100 100 100 100		N/A			Pending Pending Pending Pending	
4	<u>Consulting services</u> Component 1 Comparative study Component 2 Identification of best practices (2 studies) Component 3 Analysis of FTA provisions (4 studies) Component 4 Methodology to monitor FTA implementation Component 5 Workshop facilitators (2)	20,000 20,000 (each) 17,500 (each) 17,500 8,000 (each)	QCBS IICC IICC IICC IICC	N/A	100 100 100 100 100		N/A N/A N/A N/A N/A			Pending Pending Pending Pending Pending	

2 All project contracts should be included, even if not financed by the Bank, indicating the source of funding in each case.

4 If a number of similar individual contracts were to be executed in different places or at different times, these can be grouped together under a single heading, with an explanation in the comments column indicating the average individual contract amount and the period during which they would be executed. For example, an education project that includes school construction might include an item "school construction" for a total of US\$20 million, and an explanation in the comments column such as: "This encompasses some 200 contracts for school construction averaging US\$100,000 each, to be awarded individually by participating municipal governments over a three-year period between January 2006 and December 2008."

5 **Goods and Works:** ICB: International competitive bidding; LIB: limited international bidding; NCB: national competitive bidding; PC: price comparison; DC: direct contracting; FA: force account; PSA: Procurement through Specialized Agencies; PA: Procurement Agents; IA: Inspection Agents; PLFI: Procurement in Loans to Financial Intermediaries; BOO/BOT/BOOT: Build, Own, Operate/Build, Operate, Transfer/Build, Own, Operate, Transfer; PBP: Performance-Based Procurement; PLGB: Procurement under Loans Guaranteed by the Bank; PCP: Community participation procurement. **Consulting Firms:** QCBS: Quality- and Cost-Based Selection QBS: Quality-Based Selection FBS: Selection under a Fixed Budget; LCS: Least-Cost Selection; CQS: Selection based on the Consultants' Qualifications; SSS: Single-Source Selection. **Individual Consultants:** NICQ: National Individual Consultant selection based on Qualifications; IICC: International Individual Consultant selection based on Qualifications.

6 In the case of new Policies it applies only for Goods and Works. In the case Old Procurement Policies it applies for Goods, Works and Consulting Services.

7 This column "Status" should be used for retroactive procurement and for procurement plan updates