

TC DOCUMENT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Information Systems and Policy Dialogue on Rules of Origin and Non-Tariff Measures
▪ TC Number:	RG-T3258
▪ Team Leader/Members:	Team Leader: Jeremy Harris (INT/INT), Team Member: Kyungjo An (INT/INT), Betina Henning (LEG/LEG), Andrea Azevedo (LEG/SGO)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ Date of TC Abstract authorization:	May 9, 2018
▪ Beneficiary:	Latin American and the Caribbean IDB member countries
▪ Executing Agency and contact name:	Inter-American Development Bank through INT/INT
▪ Donors providing funding:	Public Capacity Building Korea Fund for Economic Development (KPC)
▪ IDB Funding Requested:	US \$550,000
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	September 1, 2018
▪ Types of consultants (firm or individual consultants):	Individual and firm consultants
▪ Prepared by Unit:	INT/INT
▪ Unit of Disbursement Responsibility:	INT/INT
▪ Included in Country Strategy (y/n):	N
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	Y

II. Objective and Justification of the TC

- 2.1 The IDB, through the Integration and Trade Sector (INT), maintains the INTrade Information System on Trade and Integration (www.INTradeBID.org). INTrade includes multiple databases on various aspects of international trade regulations and trade performance of IDB member countries. Among these databases, those on preferential rules of origin and on non-tariff barriers (NTBs) stand out. The former because it is based on a unique methodology developed within the Bank that enables dynamic application and analysis of the requirements of the eligibility criteria for preferential tariff treatment under trade agreements, and the latter because it is a new development, piloted using funds from a MIF Facility¹, that is in an early stage but holds promise for greatly expanding the information available to the private sector, especially small and medium enterprises (SMEs), regarding the health and technical requirements governments establish to regulate imports.
- 2.2 **Rules of Origin.** The proliferation of free trade agreements (FTAs) has brought this policy discipline to the forefront. With over 80% of intra-regional trade of IDB borrowing member countries taking place between countries with an FTA in force, and a high

¹ MIF project RG-M1218 "Regional Facility for Innovation in Trade Information Services for SME's" supports several pilot projects, and has also supported developments within the INTrade system.

share of regional exports going to FTA partners, the need to apply the rules of origin (RoO) in every one of these transactions to determine the applicable tariffs makes greater knowledge of how RoO function, and easier access to the established rules, vital to more efficient trade.

- 2.3 The RoO knowledge developed at the IDB, along with the databases in the INTrade system, are uniquely capable of contributing to filling this knowledge gap. The IDB has established the capability to provide capacity building and data on rules of origin and has demonstrated this capability over the years to become a key point of reference in the region on the topic.² This TC will leverage this capability to provide better and modernized services to the region.
- 2.4 **Non-Tariff Measures (NTMs).** NTMs represent a concept that covers a wide variety of requirements that governments impose on imported goods in order to allow them to be sold in their countries. In the case of food and feed products, these are generally referred to as Sanitary and Phytosanitary requirements, while for manufactures they are Technical Requirements. Despite numerous efforts of different multilateral organizations over the years, there are very few existing databases of NTMs that are up to date and useful to private sector actors, and none that cover trade within Latin America and the Caribbean.
- 2.5 The IDB has begun a project to develop a data base of NTMs applicable to intra-regional trade. The initial pilot project is advancing and has attracted interest from several trade promotion organizations within the region.³ This TC will partially be used to support the expansion of the pilot project once the existing funding is exhausted, with an emphasis on NTMs applicable to trans-Pacific trade.
- 2.6 **Objective:** The objective of the cooperation is to support informed policy dialogue on architectural issues of regional trade agreements through the compilation of databases, development of information dissemination systems, online capacity building for policy makers and user of Regional Trade Agreements, and in-person meetings of experts and policymakers, to promote better design of integration agreements among countries.

III. Description of activities, outputs and budget

- 3.1 **Component 1: Rules of Origin Capacity Building:** (US \$205,000). Beginning in 2012, IDB/INT developed an online, tutored capacity building course on the Fundamentals of Preferential Rules of Origin, and since 2014 has also offered a similar Advanced Course on Preferential Rules of Origin. The “Fundamentals” course has been offered 16 times (10 in Spanish, 4 in English, 2 in Portuguese), with over 450 participants from trade ministries, customs agencies, and trade promotion

² The IDB’s leadership in the subject stems from seminal analytical publications in the 1990s, active support to negotiation and implementation of regional trade agreements in the 2000s (FTAA, DR-CAFTA, and others), and to unique methodology for managing rules of origin data and tools to facilitate interpretation and application of the rules.

³ Conversations are at differing stages with ProColombia, PromPeru, ProChile, ProMexico, and ProEcuador.

organizations receiving certification of successful completion of the course. The “Advanced” course has been offered twice, with 70 participants certified. Both courses are nine weeks long and involve intense participation with instructors in online forums in addition to substantial individual exercises that give the participants a deep familiarity with the rules defined in the agreements signed by their countries and by their main trading partners with other countries.

- 3.2 INT has begun revisions of the existing course materials to better reflect modern approaches to rules of origin definition and administration, with emphasis on best practices identified in trans-Pacific FTAs. In this revision, the Korean experience in the administration of rules of origin under FTAs will be a key reference. Korea’s FTA PASS system (<https://www.ftapass.or.kr/index.do>), in addition to the active support given to SMEs that supply inputs to multinational corporations, are highlights of that model.
- 3.3 This component will finance the following activities:
 - 1) Final revisions and translation of the updated course materials. The revisions to the course materials will be translated in to the English version of the courses.
 - 2) Carry out new editions of these courses, using existing instructors and new instructors from Asian countries, especially Korea.
 - 3) A capacity building in Korea for officials from LAC countries to learn about Korean approaches to rules of origin administration and origin-related trade facilitation and export promotion. Approximately 25 participants from the region are projected, giving priority to candidates from those countries that have Trade Agreements in force/signed/under negotiation with Korea. Where practical, more than one participant from each country will be invited, so as to facilitate implementation of lessons learned during the activity.
- 3.4 **Component 2: Rules of Origin and NTM Information Systems** (US \$175,000) The INTrade system contains a unique database of product-level rules of origin. Using a methodology developed at the IDB, this database is accompanied by software tools that facilitate the interpretation and application of preferential rules of origin.
- 3.5 The non-tariff requirement database currently under construction in collaboration with the Colombian trade promotion agency (ProColombia) is using MIF funds in a pilot project to demonstrate feasibility. The pilot database has focused on sanitary and phytosanitary (SPS) requirements for access to the US, Canadian, and Pacific Alliance markets for food and feed products. The project has already attracted significant attention from similar agencies in several other countries of the region that are interested in participating in making the database a regional public good. When the pilot project is complete (estimated third quarter 2018) it will still lack coverage of many countries in LAC and in extra-regional markets, especially in Asia. This project will seek to expand the coverage of the database to include data for additional countries, especially Korea and additional countries in LAC, and also to develop methodologies for incorporation of non-tariff measures for non-agricultural products.
- 3.6 This component will finance following activities:
 - 1) Update and expand the coverage of preferential rules of origin. This will involve

- processing and coding of rules of origin revised to accommodate changes in the Harmonized System, which will facilitate their application by traders;
 - processing and coding of rules of origin under additional trade agreements, with emphasis on trans-Pacific agreements
- 2) Add functionalities to the online application and analysis tools, including the development of new tools to facilitate application of the rules of origin, with emphasis on enabling links to sourcing opportunities under trans-Pacific FTAs to promote the development of global value chains linking LAC and Asia
 - 3) Inclusion of data on Korean and other Asian countries' non-tariff requirements, through a partnership to be sought with a Korean partner (preliminary conversations are ongoing with KITA).
 - 4) Translation of some aspects of the NTM database and tools into Korean to better facilitate trade between LAC and Korea.
 - 5) Development of tools to compare requirements across countries, which can enable analysis in support of regional and inter-regional efforts to promote harmonization and mutual recognition of standards.
- 3.7 **Component 3: High-Level Policy Dialogue on Regional Trade Agreements** (US\$170,000) In collaboration with the International Center for Trade and Sustainable Development (ICTSD), the IDB cosponsors the RTA Exchange, an initiative that brings together the collective international knowledge on regional trade agreements (RTAs) and facilitates dialogue on RTA-related policy issues. The RTA Exchange focusses on issues of rules of origin, non-tariff measures and regulatory coherence, sustainability, digital trade, dispute resolution, and investment. The initiative also includes a website, managed by the IDB, that serves as a repository of RTA-related data, news, research, and forward-thinking policy analysis.
- 3.8 Additionally, in 2012-2013 the IDB convened a series of meetings of public- and private-sector experts on preferential rules of origin, covering both design and negotiation of rules as well as their implementation and administration. The “Origin Experts Group” had begun to formulate a work plan focused on gathering and reporting best practices for private sector preferential origin compliance.
- 3.9 This component will finance:
- 1) Augmentation of the RTA Exchange dialogues, expanding participation from experts in Asia, especially Korea, as participants in the dialogues and in the preparation of background analyses and think-pieces.
 - 2) Development of descriptive and analytical indicators on RTAs, and the development of RTA comparison tools within the RTA Exchange website.
 - Indicators to be developed first will include basic calculations based on RTA membership and easily accessible economic variables and will measure the economic importance of each RTA to its members and provide insight into its economic context. Later indicators will be derived

from the texts of the RTAs themselves, allowing comparisons across RTAs and over time of the mechanisms countries employ to define and regulate preferential trade.

- The indicators will be made publicly available through an RTA Comparison Tool on the RTA Exchange website. The tool will provide access to the indicators and will present them in a visually intuitive manner that facilitates analysis of the data. This tool will present a matrix of data that will set user-selected indicators side-by-side for a set of selected RTAs. Additional visual tools, such as map-based representations, will also be incorporated.
- 3) Continuation the Origin Experts group's work in identifying best practices, with emphasis on producing materials to support the private sector in utilizing preferential tariffs while minimizing liability through best practices in management of origin information. This work will build on the collaboration with the International Chamber of Commerce (ICC), and will seek to expand partnerships with other institutions in Korea, which has been a leader in origin-related knowledge and best practices on a global level.
 - 4) Dissemination of the outputs of the above activities. This will include publication of the studies and databases on the RTA Exchange and INTrade websites, dissemination on social media, and via other channels.

3.10 Table 1 shows the indicative Budget, estimated at US\$550,000.

Table 1: Indicative Budget

Activity/component	Description	Total Funding
Component 1/ Rules of origin Capacity building	<ul style="list-style-type: none"> • Translations of revised courses • New course editions • Capacity Building in Korea 	205,000
Component 2/ Information Systems	<ul style="list-style-type: none"> • Data updates • Dissemination 	175,000
Component 3/ High Level Policy Dialogue	<ul style="list-style-type: none"> • Expert Participation in Dialogue Seminars • Development of RTA Comparison Tool • Origin Experts Group 	170,000
TOTAL		550,000

IV. Executing agency and execution structure

- 4.1 The execution will be carried out by the Bank through the Sector of INT/INT.

V. Major issues

- 5.1 The main risk for this Technical Cooperation is key stakeholders will be unable to collaborate. This risk will be mitigated by early outreach and networking to secure political support for the activities.

VI. Exceptions to Bank Policy

- 6.1 No exceptions to Bank policy are envisioned.

VII. Environmental and Social Classification

- 7.1 This TC does not have environmental issues. (See [Safeguard Policy Filter Report](#) and [Safeguard Screening Form](#)).

Required Annexes:

- [Result Matrix](#)
- [Procurement Plan](#)
- [Terms of reference](#)