

**REGIONAL: OVERCOMING TECHNICAL BARRIERS TO TRADE THROUGH  
STRENGTHENED ACCREDITATION SYSTEMS**

**(TC-00-08-02-2)**

**EXECUTIVE SUMMARY**

<b>EXECUTING AGENCY:</b>	Institute of Brazilian Quality and Productivity (IBQP)
<b>BENEFICIARIES:</b>	Beneficiaries include: (i) five national accreditation bodies; (ii) 500 private and public sector stakeholders in five countries; (iii) 615 testing and calibration laboratories, certification and inspection bodies in five countries; (iv) 1000 SMEs in five countries that will receive timely information about conformity assessment requirements and procedures.
<b>OBJECTIVES:</b>	The overall objective of this Program is to facilitate trade and to increase the competitiveness of small and medium sized enterprise through enhanced access to regional and international markets. The purpose of this Program is to build capacity in accreditation bodies, laboratories, certification and inspection bodies in Costa Rica, Panama, Paraguay, Trinidad and Tobago, and Venezuela.
<b>DESCRIPTION:</b>	The project includes four comprehensive components. The first component aims to raise the awareness of the importance of conformity assessment. A second component aims to create the supply of national expertise in conformity assessment. The third component focuses on implementing international quality management systems and best practices for conformity assessment bodies. And the fourth component builds capacity in information and knowledge in conformity assessment in the region.
<b>FINANCING:</b>	Method: non-reimbursable – Technical Cooperation Facility MIF: US\$ 1,670,640 Local counterpart: <u>US\$ 1,163,926</u> Total: US\$ 2,834,566
<b>EXECUTION SCHEDULE:</b>	Execution: 39 months Disbursement: 42 months

**EXCEPTION TO  
BANK POLICIES AND  
PROCEDURES:**

None

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

Conditions prior to first disbursement are: (i) the establishment of the Project Execution Unit (PEU) at IBQP; (ii) the contracting of a Senior Conformity Assessment Consultant; and (iii) the establishment of the Project Advisory Committee.

**ENVIRONMENTAL  
AND SOCIAL  
IMPACT:**

The Committee on Environment and Social Impact reviewed and approved this project on October 20, 2000.

## I. COUNTRY AND PROGRAM ELIGIBILITY

- 1.1 The proposed regional project includes the following five countries: Costa Rica, Panama, Paraguay, Trinidad and Tobago, and Venezuela. All of these countries have been determined eligible for all modalities of financing by the MIF. The project has been declared eligible for MIF financing under the Technical Cooperation Facility, and contributes to the improvement of competitiveness of small and medium sized enterprises in the region through the strengthening of regional infrastructure in accreditation and certification. The project is designed as a regional operation for the following reasons: (i) by building and upgrading accreditation and conformity assessment capacity across the region, the project will promote network effects and trade multipliers as more enterprises will be able to enter regional markets as a result of enhanced local conformity assessment services; (ii) the regional nature of the project will allow for a wider collection, analysis and dissemination of data regarding conformity assessment issues; (iii) regional capacity-building in accreditation and conformity assessment in this proposed regional project will reinforce other MIF national ISO Program projects under implementation, and in turn, be reinforced by the capacities created in each of these individual projects; and (iv) upgrading accreditation and laboratory capacity in the region will lay the foundation for a regional approach to mutual acceptance of test results and certifications as promoted by the Inter-American Accreditation Cooperation (IAAC).

## II. BACKGROUND

### A. Context

- 2.1 International trade, along with the growth of outsourcing and global supply chains, continues to grow far faster than total global production. A major characteristic of this trend is the corresponding growth of technical requirements demanded by buyers in international markets. Increasingly, these requirements, standards and regulations involve the design and performance of products, materials, processes, and other attributes affecting health, safety and the environment. The global marketplace often requires that even simple products are accompanied by supporting technical documentation, such as laboratory test data. In order to penetrate markets, sellers must first obtain test data produced by reliable laboratories, or certificates awarded by recognized bodies to verify conformity to these requirements. However, procuring laboratory results or certificates from local bodies is often not sufficient, because there remains a widespread lack of acceptance of laboratory test data and certificates across international boundaries.
- 2.2 The World Trade Organization has recognized this serious trade barrier in its Agreement on Technical Barriers to Trade, and the Agreement on Sanitary and Phytosanitary Measures. In general, these agreements urge all member countries to be *transparent* when making regulations and requirements, and that all requirements be *justifiable*, as well as *non-discriminatory*. Moreover, requirements should, to the extent possible, be based on international standards. In addition, both agreements recognize the uneven nature of technical capacities among countries, and argue for the urgent upgrading of capacities in the conformity assessment framework, particularly in developing countries.

- 2.3 *Conformity assessment* plays an important role in the facilitation of international trade and refers to the process of determining whether a product or process meets the requirements stipulated by a technical regulation or specification. Conformity assessment includes activities associated with testing, inspection, sampling, verification, assurance, registration/certification, accreditation and approval. Services provided by conformity assessment bodies, such as testing and calibration laboratories, or inspection or certification bodies, are often required when a seller wants to move goods (and increasingly services) across international frontiers. While conformity assessment entities are independent of sellers, this does not guarantee that buyers will accept their certificates or laboratory data. Buyers usually demand additional assurance as to the competence of these bodies.
- 2.4 For this reason, *accreditation* has become a crucial element in global and regional trade. Accreditation provides assurance as to the technical competence and integrity of organizations in the international conformity assessment framework, and is based on rules for the continuing evaluation of the competence of laboratories, inspection bodies and certification bodies<sup>1</sup>. Accreditation is the highest level of supervision upon which consumers and authorities must be able to rely in the global conformity assessment framework. National accreditation bodies and their regional and international cooperation organizations comprise the global accreditation system.
- 2.5 The International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) have developed guides for international best practices that conformity assessment bodies such as laboratories and certification bodies must satisfy. It is the job of the national accreditation body to *ensure* that laboratories, and certification and inspection bodies are fulfilling these requirements with respect to quality and competence. Unfortunately, this system does not guarantee that test results and certificates issued by nationally accredited bodies to sellers in one country, will be accepted by buyers in another country.
- 2.6 Acceptance of test results and certificates from accredited laboratories or certification bodies requires harmonized procedures and transparency *among international accreditation bodies*. The two largest forums of accreditation bodies, the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF) have as their main function the promotion of mutual recognition among accreditation bodies.<sup>2</sup> The primary goal in each organization is a Mutual Recognition Agreement (MRA), which means that each member accepts the certificates and test results awarded by accredited laboratories, certification and inspection bodies in all other member countries.

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<sup>1</sup> This discussion follows J. Donaldson, et al (1998). "Accreditation" in Conformity Assessment (Geneva: ISO), pp.51-60; and H. Baigent (1996). "The Role of Testing and Laboratory Accreditation in International Trade" International Laboratory Accreditation Cooperation (ILAC-12:1994).

<sup>2</sup> ILAC is a cooperation among laboratory accreditation bodies, while IAF operates as a forum for accreditors of certification bodies.

the conformity assessment structures required to support a mutual recognition agreement under international auspices.

- 2.11 Low capacity and cooperation negatively impact small and medium-sized enterprises and other enterprises in several ways. Low technical competencies mean that local services in testing, certification, inspection, calibration, assessment, and consultation are either unavailable, unreliable, unnecessarily slow, excessively expensive, or some combination of these. A dearth of regional cooperation means producers must pay for costly and redundant testing to enter export markets, and incur a range of transactions costs and bottlenecks. Larger firms often have the resources and networks to surmount these obstacles, although they still face higher costs than would be otherwise necessary. But smaller firms typically do not have the money, information, or networks to navigate the complexities of conformity assessment. For these firms, conformity assessment requirements often operate to block the much needed benefits of trade.
- 2.12 In order to develop criteria for the selection of participating countries in this project, the project team consulted several sources of information. These sources include: (i) an extensive desk study of regional capacities and trends in conformity assessment and standardization commissioned by the MIF and performed by the International Executive Service Corporation (IESC); (ii) a needs assessment produced for MIF by regional experts on conformity assessment; (iii) data provided by IAAC and its members on institutional needs and capacity in conformity assessment in the region; (iv) data provided by the IAF and ILAC; and (v) other data provided by the U.S. National Institute of Science and Technology (NIST), and the Brazilian Institute of Quality and Productivity (IBQP).
- 2.13 Based upon this information, the project team devised selection criteria for participating countries. To be selected, a country must have (i) demonstrated a strong commitment to building capacity in accreditation and other aspects of conformity assessment; (ii) participated in international and regional accreditation activities; (iii) identified potential domestic market opportunities that can be exploited as a result of new capacities created by the project; (iv) identified trade benefits for strategic or high priority sectors as a result of assistance provided by the project; (v) targeted SMEs as primary beneficiaries of improved capacities in conformity assessment; and (vi) have strong trade relationships with at least one other country participating in the project. In addition, selected countries should reflect a regional balance.

#### **C. Institutional Partners**

- 2.14 The Brazilian Institute of Quality and Productivity (IBQP) is the proposed grant beneficiary of this project. The IBQP is a private, non-profit organization, established in 1995 and headquartered in Rio de Janeiro with a regional office in Paraná. The organization receives strong budgetary support from the Japanese International Cooperation Agency and the Brazilian Assistance Service to Small and Medium-Sized Enterprises. IBQP is made up of associations of business, workers, consumers, technical and scientific entities and government, and non-governmental organizations. IBQP has

- 2.7 While the ideal of global conformity assessment remains “tested once, accepted everywhere,” in practice, most agreements (such as MRAs) are concluded among bodies in regional groups, such as the European Accreditation of Certification (EAC), the Pacific Accreditation Cooperation (PAC), the Asian Pacific Laboratory Accreditation Cooperation (APLAC), among others. Each of these regional cooperative frameworks is dedicated to the harmonization of procedures by all members, transparency, and mutual acceptance of each others accreditations of laboratories, certification and inspection bodies.
- 2.8 Given that the bulk of world trade occurs among neighboring countries, regional arrangements stimulate commerce among regional member countries, and also form the basis for broader international agreements that enhance global trade. A good example of this is an international agreement signed by ILAC members in November 2000. This agreement involves 37 member bodies of ILAC from 28 nations, and will enhance the acceptance of technical data accompanying goods crossing national borders. Goods tested in one country by a laboratory that is accredited under a signatory to the agreement, will be accepted by other signatories. This will result in the reduction or total elimination of expensive and time-consuming re-testing of goods by an importing country. Importantly, the conclusion of this agreement was greatly facilitated by the existence of regional cooperation arrangements among laboratory accreditation bodies, particularly in the Asia Pacific region, Europe, and Southern Africa.

## **B. Regional Context and Challenges**

- 2.9 The ILAC agreement will benefit all of its members, however, Brazil is the only signatory from all of Latin America and the Caribbean. The Brazilian National Institute of Metrology, Standardization and Industrial Quality (INMETRO) is the only internationally recognized accreditation body in the region. INMETRO has been granted full recognition by the IAF to accredit certification bodies, and by ILAC to accredit testing and calibration laboratories. In the rest of the region there is an uneven distribution of technical capacities, with many countries experiencing a shortage of qualified human resources, having poor access to technical information, and inadequate laboratory and metrological equipment. Moreover, the region has relatively lower participation in international forums such as IAF and ILAC as compared with other regions. Poor technical capacity and low participation in international forums are two sides of the same coin, and make regional cooperation in accreditation difficult.
- 2.10 The Inter-American Accreditation Cooperation (IAAC) was formed in 1996 to promote a regional approach to accreditation. IAAC includes eighteen member bodies from seventeen countries in the region, including Canada and the United States. As experience has shown in other regions, cooperation arrangements are essential for upgrading institutional capacity, the diffusion of knowledge, and promoting trade within regions. While IAAC serves as a forum for discussion in Latin America and the Caribbean, achieving regional cooperation agreements will depend on increasing the technical capacity among its member bodies. Currently, most IAAC members do not have in place

built an extensive network of quality and productivity centers in 27 Brazilian states, and a broad network of contacts within the region. IBQP has extensive experience in the provision of services to SMEs, and has accumulated significant knowledge in the area of conformity assessment and related issues of management system standards (e.g. ISO 9000 and ISO 14000).

- 2.15 Further, IBQP has an established professional relationship with both the Inter-American Accreditation Cooperation (IAAC) and INMETRO. In its capacity as a center for excellence in support of quality and productivity, IBQP recognizes the growing role played by accreditation and certification across the region. IBQP has identified these technical subjects as areas for the development of new technical assistance services and consulting in the region. In addition, IBQP is committed to working closely with the Executive Committee of IAAC to assist it in achieving legal status in the region by the end of the project. Members of the IAAC Executive Committee will in turn provide technical input to the Project Execution Unit in the form of advice, and information on local and regional trends in conformity assessment.
- 2.16 Several leading international bodies in the field of conformity assessment have expressed support for the project in the form of cash and in-kind (expertise) contributions. These third party benefactors include, the American National Standards Institute (ANSI), the Brazilian National Institute of Metrology, Standardization and Industrial Quality (INMETRO) the American Association for Laboratory Accreditation (A2LA). These organizations are active participants in international and regional forums on accreditation and mutual recognition, and are also member bodies of IAAC. They have expressed a strong interest in supporting the aims of the project, and are proponents of greater regional integration in matters related to accreditation and conformity assessment.

### **III. PROGRAM OBJECTIVES AND BASIC COMPONENTS**

- 3.1 The overall objective of this Program is to facilitate trade and to increase the competitiveness of small and medium sized enterprise through enhanced access to regional and international markets. The purpose of this Program is to build capacity in accreditation bodies, laboratories, certification and inspection bodies in Costa Rica, Panama, Paraguay, Trinidad and Tobago, and Venezuela.
- 3.2 The program has the following four components: (i) raised awareness of the importance of conformity assessment for competitiveness; (ii) creation of a supply of national expertise in conformity assessment; (iii) implementation of international quality management systems and best practices for conformity assessment bodies; and (iv) strengthened capacity in information and knowledge on conformity assessment.
  1. **Raised awareness of the importance of conformity assessment for competitiveness (MIF US\$82,305/Local US\$54,609)**
- 3.3 The objective of this component is to demonstrate the strategic importance of the conformity assessment framework to stakeholders in the private and public sector in each

of the five participating countries. These stakeholders include: the owners and managers of SMEs, directors and board members of private sector associations, managers and staff of accreditation bodies, certification bodies, inspection bodies, and testing and calibration laboratories.

- 3.4 The component will undertake two activities. The first activity has two parts. The first is a one-day (8 hour) national conference in the capital cities of each of the five participating countries. These workshops will be conducted by leading global authorities on international conformity assessment from contributing third party organizations (INMETRO, ANSI, A2LA). Participants will be charged a fee for attendance. The second part involves two-day visits in each country by the same third party organization to confer with business leaders, private sector and SME associations, and major public sector stakeholders in each country. These visits are intended to inform stakeholders of the planned upgrading of local conformity assessment bodies in order to stimulate the demand for local services. The awareness of a total of 500 stakeholders in all five countries will be raised in this component.
- 3.5 A second activity in this component is a market analysis of the supply and demand of conformity assessment services in each of the five participating countries. Detailed surveys will be administered at the national conferences and sent to an additional 200 SMEs and 50 conformity assessment bodies in each country. This data will be used to establish the demand for services in support of conformity assessment. Survey data will also be used to assist in the selection of three laboratories for participation in the project (see Annex A for selection methodology of conformity assessment bodies). In general, laboratories selected will be those that (i) are best positioned to increase their services to SMEs; (ii) serve sectors which have strategic potential with respect to exports, overall growth, or employment generation; and (iii) have demonstrated a strong commitment to technical upgrading. All decisions concerning selection will be made jointly between the local accreditation body, and the Project Execution Unit at IBQP. IAAC will also administer this survey to its membership to collect more data for the database constructed in Component IV below.

## **2. Creation of a supply of national expertise in conformity assessment (MIF\$547,468/Local \$338,749)**

- 3.6 This component has as its objective the creation of a cadre of national experts in international best practices in conformity assessment. Increasing the skill base of human capital in conformity assessment is a prerequisite for future mutual recognition agreements and increased international trade and commerce. In order to achieve this objective, IBQP will contract a consulting firm to deliver the following six activities. The first activity will train the management and staff of five national accreditation bodies in the implementation of required ISO/IEC guides that prescribe international best practice for these entities. All training of managers and staff of accreditation bodies will be conducted on a fee basis, and the percentage charged will be on average approximately 50% of the cost of delivery. International consultants will provide the



training for five accreditation bodies, with a total of nine working months of consulting services for each of five countries over the three years of the project.

- 3.7 A second activity involves an intensive five day training course for all five quality managers at each national accreditation body. The "Accreditation Body Quality Manager" (ABQM) is a recognized course and will be conducted in a joint session by the American National Standards Institute (ANSI) and the American Association for Laboratory Accreditation (A2LA). A third activity that follows immediately is one in which the five managers of accreditation bodies participate as observers of assessments conducted by leading accreditation bodies in the region. These will be actual assessments of laboratories and/or certification bodies for accreditation, and are intended to demonstrate the best practices of leading accreditation bodies in the assessment process.
- 3.8 The fourth activity is designed to expand the supply of national expertise through the training of 40 national experts in each country as Lead Assessors of testing and calibration laboratories. The training fee for each participant will be the market rate for such instruction. International instructors will each conduct two courses (five days) in each country to a total of 40 students in each country. A fifth activity increases the skills of technicians from three types of conformity assessment bodies. In three successive years a three day training course for 40 technicians in each country will be offered to staff of testing and calibration laboratories (year one), inspection bodies (year two), and certification bodies (year three). Participants in this activity will be charged an average of 60% of the market cost.
- 3.9 In the sixth and final activity of this component, 40 managers from selected conformity assessment bodies in each country will receive an intensive seminar by an international expert on how to develop business and marketing strategies for conformity assessment services. The training fee for each participant will be the market rate for such instruction. This seminar is designed to provide managers with tools to respond to demand, and to identify and develop emerging markets for their services. Particular attention will be paid to the potential market among SMEs in each country.

**3. Implementation of international quality management systems and best practices for conformity assessment bodies (MIF US\$607,677/Local US\$308,068)**

- 3.10 The objective of this component is to upgrade five accreditation bodies and 15 participating laboratories in order to prepare for eventual mutual recognition agreements under the aegis of IAAC. In all training and implementation activities in accreditation bodies, participants will share an average of 50% of the cost of services. In the case of training and implementation services in laboratories, these will be charged at 60% of cost. The first activity will assist in the implementation of recognized international quality systems in three laboratories in each country. International consultants will spend nine months in each country over the course of the project in order to assist management and staff of three laboratories in the successful implementation of the international

quality systems. This activity is an important step towards certification for each laboratory.

- 3.11 The second activity will upgrade laboratories through proficiency testing and inter-laboratory comparisons that assess the quality control procedures regarding laboratory data, evaluation and testing methods, and the establishment of precision data for test methods among other key performance metrics. In this activity tests and calibrations will be undertaken in each laboratory and the results will be compared with leading laboratories in order to establish benchmarks for improvement. This is also an important step towards eventual certification of each participating laboratory.
- 3.12 The third and fourth activities involve the international practice of peer reviews conducted by peer members of IAAC in each participating accreditation body. Peer review is a process whereby representatives of an accreditation body's peer institutions (fellow members of IAAC) assist it in improving its systems. The third activity is a pre-peer evaluation. This is a simulated peer review conducted by two assessors in order to prepare each accreditation body for eventual peer review. These two assessors will be contracted from an internationally recognized accreditation body. The fourth activity is the actual peer review in which two assessors from peer organizations spend five days each accreditation body reviewing all procedures, systems, and documentation. One assessor shall come from a regional member of IAAC, and the other shall be from a participating third party contributing body.

**4. Building capacity in information and knowledge in conformity assessment in the region (MIFUS\$168,610/LocalUS\$237,500)**

- 3.13 The objective of the fourth component is to expand the supply of data concerning conformity assessment and technical requirements in the region. Currently, a company in Country A wishing to export to Country B has to incur significant search costs to determine (i) the specific requirements facing his or her product in Country B, and (ii) the availability of laboratories and certification bodies that offer testing and certification services that are accepted by buyers in Country B. Component four is designed to generate just such economically useful data.
- 3.14 In a first activity, a local consulting firm will be contracted to build the Inter-American Conformity Assessment Database (ACREDATA) and a web site that will be used to disseminate information to users, with the primary target market being SMEs. The ACREDATA data base will be based in IBQP, and each of the five participating accreditation bodies will be responsible for collecting information to be put in the data base and for maintaining the accuracy of such data. In the event of an eventual legal incorporation of IAAC, the ownership of the ACREDATA database shall transfer to IAAC. Data contained in the market analysis survey conducted in component one will form part of the ACREDATA database, along with data collected from other sources. A second activity will involve the development of promotional materials on conformity assessment for distribution to participating accreditation bodies, private sector associations, training providers, standardization bodies, public sector entities, and other

stakeholders needing to know the competitive implications of conformity assessment. A regional marketing firm will be contracted by IBQP to develop materials for the promoting the aims of the project within the region.

#### **IV. EXECUTING AGENCY AND BENEFICIARIES**

##### **A. Execution Structure**

- 4.1 The project will be executed over a three-year period (39 months of execution and 42 of disbursements). IBQP is the proposed grant beneficiary and responsible for local counterpart resources under the project. The Bank's Country Office in Brazil will be responsible for administering this technical cooperation project. An independent Project Execution Unit (PEU) will be headed by an Administrative Director, and a full time project secretary. The PEU will provide technical support for all training, consulting and institution building activities in the project. The PEU will be responsible for coordinating all activities of each participating accreditation body in the project.
- 4.2 The Administrative Director of the PEU will have full control over all resources of the project. An Advisory Committee will be established to monitor the project and offer technical guidance to the PEU. The Advisory Committee will elect a chairperson and be comprised of representatives of the IAAC Executive Committee, ISO, IAF, ILAC, ANSI, INMETRO and the United Nations Industrial Development Organization and will meet virtually on a quarterly basis, and convene in person in either Rio de Janeiro or Paraná at approximately the 20<sup>th</sup> month of the project and at the end of the project.
- 4.3 A Senior Conformity Assessment expert will be recruited by IBQP to provide high level of technical oversight for each phase of project execution (see Technical Files for the expert's terms of reference) This expert will report to IBQP and will work closely with the Administrative Director of the PEU to ensure that the project execution reflects the current best practices in the field of conformity assessment. This expert will collaborate closely with all five accreditation bodies, as well as participating third parties such as INMETRO, ANSI, A2LA, and others.

##### **B. Auditing and Financial Administration**

- 4.4 IBQP will: (a) establish and maintain adequate accounting, financial, internal control, and filing systems, which will allow for detailed identification of sources and uses of funds of the program. The project's records will: (i) identify sums received from different sources; (ii) report project spending, distinguishing between MIF contributions and funds from other sources; and (iii) include details necessary to identify goods acquired and services contracted. IBOQ will: (i) open separate and specific bank accounts for the administration of the MIF's contribution, and for the local counterpart funds; (ii) process the disbursement requests and their respective justifications of expenditures, in accordance with the Bank's disbursement procedures; and (iii) prepare and submit to the Bank the project's final audited financial statement and the revolving fund's semi-annual reports.

- 4.5 IBQP will prepare and submit to the Bank, within (90) days after the closing of each fiscal year, audited financial statements of the Program regarding the Bank's contribution and local counterpart funds in accordance with the Bank's requirements. Also, final audited financial statements of the Program must be submitted to the Bank within ninety (90) days after the final disbursement date of MIF's contribution. A private firm of independent auditors, previously acceptable to the Bank, will audit these financial statements. The audit costs will be financed from MIF's contribution in accordance with Bank's procedures.
- 4.6 IBQP with the support of the PEU will prepare semi-annual progress reports that will document activities of the previous six months, and will prepare work plans and disbursement schedules. These reports will be submitted to the IDB Country Office for approval within 30 days after completion of each six-month period. The PEU will also be charged with providing a report three months after project completion, indicating the results of the project.
- 4.7 Disbursements of grant funds and the purchase of goods and services will be in accordance with Bank/MIF procedures. A revolving fund of up to 10% of the grant may be made if the executing agency so requests. IBQP will prepare and submit to the Bank, within a period of thirty days after the closing of each semester, a semiannual report showing the status of the revolving fund as of June 30 and December 31.

#### **C. Beneficiaries**

- 4.8 Beneficiaries include: (i) five national accreditation bodies; (ii) 500 private and public sector stakeholders in five countries; (iii) 615 testing and calibration laboratories, certification and inspection bodies in five countries; (iv) 1000 SMEs in five countries that will receive timely information about conformity assessment requirements and procedures.

#### **D. Project Readiness**

- 4.9 The design, budget and activities planned under the project have been arrived at in collaboration with all stakeholders and with the assistance of the Bank team. All five countries have been visited and letters of support affirming the commitment of local counterpart have been received from each of the participating accreditation bodies. The allocation of in-kind and cash expenditures between local counterpart and third parties contributors may be found in the detailed project budget (see Annex G of the technical files). The composition and functions of the Advisory Committee have been arrived at in collaboration with all stakeholders and this oversight body is designed both to guide and enable project implementation by allowing the PEU to operate independently on a day-to-day basis, while ensuring that the project continues to be informed by leading authorities in the field.

## V. COST, SOURCE OF FINANCING AND COST RECOVERY

COMPONENTS / BUDGET CATEGORIES	MIF CONTRIBUTION	LOCAL	TOTAL
I. Raising Awareness of the importance of Conformity Assessment	\$82,305	\$54,609	\$136,914
II. Creating the supply of national expertise in conformity assessment	\$547,468	\$338,749	\$886,217
III. Implementing International Quality Management Systems and Best Practices for Conformity Assessment Bodies	\$607,677	\$308,068	\$915,745
IV. Building Capacity in information and knowledge in conformity assessment in the region	\$168,610	\$237,500	\$406,110
Project Execution Unit	\$92,580	\$225,000	\$317,580
Evaluations	\$50,000	0	\$50,000
Audit	\$15,000	0	\$15,000
Contingencies	\$107,000	0	\$127,998
TOTAL	\$1,670,640	\$1,163,926	\$2,834,566
Percentages	(59%)	(41%)	

- 5.1 The cost of the program is estimated at US\$2,834,566 of which the equivalent of US\$1,670,640 will be provided from the MIF (Technical Cooperation Facility) on a non-reimbursable basis, and the equivalent of US\$1,163,926 will be provided as local counterpart and third party funding, in accordance with the preceding table. IBQP is the entity responsible for local counterpart. The local counterpart total is US\$772,701 of which US\$502,000 is cash, and US\$270,701 is in kind. Third party contributions total US\$391,225, of which US\$245,756 is in cash, and US\$145,469 is in kind.
- 5.2 The sustainability of the program depends in large part upon the attainment of the following interrelated outcomes: (i) the success of five accreditation bodies in implementing relevant international quality system requirements and best practices, and (ii) the success of 15 participating laboratories in five countries in implementing relevant international quality system requirements and best practices. Due to the capacity building activities planned for each participating accreditation body, the demand for their services on the part of testing and certification laboratories, and certification and inspection laboratories is expected to increase. This will provide an important source of revenue, and also reinforce the position of each accreditation body as an important part of the conformity assessment framework of the region. Capacity building in participating laboratories will greatly enhance their ability to sell their services, while awareness-raising in the private sector will broaden the market for conformity assessment services. In addition, the Institute of Brazilian Quality and Productivity (IBQP) will be

strengthened in its position to offer a broader range of technical support services as a result of its experience with this project. The upgrading of regional capacity will enable a legally established IAAC to negotiate a Mutual Recognition Agreement among all 5 participating accreditation bodies, and thus facilitate trade in the region. Moreover, IAAC will be in a stronger position to negotiate with other cooperation entities located in large markets such as the European Union and Asia.

## **VI. BENEFITS AND RISKS**

### **A. Benefits**

- 6.1 The benefits of this project are as follows: (i) Mutual Recognition Agreements among members of IAAC that will facilitate trade and growth among all members of the IAAC and the rest of the world; (ii) a strengthened IAAC will be able to negotiate with other major cooperation entities in the EU and Asia, and enter into MRAs with these regions for greater acceptance of test results and certifications; (iii) IAAC will be able to leverage the capacity built by several current national MIF ISO projects to expand its membership in the region; (iv) the project will expand the awareness of major stakeholders in the private sector of the region, and will underscore the importance of conformity assessment to SMEs, (v) the project will expand the awareness of major public sector officials in the region as to the importance of accreditation, certification, standardization and metrology programs; (vi) human resource capacity will be greatly increased through training and implementation of systems in participating accreditation bodies, and conformity assessment bodies such as testing laboratories leading to higher quality services at lower cost; (vii) the supply of national expertise in the assessment of testing and calibrations laboratory will be greatly expanded in each country, that will allow for the diffusion of best practices among the large number of laboratories in each country; (viii) the establishment of the ACREDITA data base will make available practical information for SMEs and other enterprises regarding technical requirements, regulations, standards, acceptable tests and certificates and other critical information needed to access markets; and (ix) IBQP will derive benefits from the experience gained working with important third party counterparts in the project, such as INMETRO, ANSI, A2LA, and others.

### **B. Risks**

- 6.2 Project risks result from: (i) the possibility that participating accreditation bodies may fail to pass the peer review process, or be unsuccessful in the implementation of relevant ISO/IEC guides governing relevant quality systems; (ii) the possibility that participating laboratories are unsuccessful in the implementation of relevant ISO/IEC Guides; (iii) and as a result of (i) and (ii) above, IAAC is unable to count on a critical mass of competent accreditation and conformity assessment bodies in the region, and therefore cannot become a viable entity and negotiate a regional MRA; and (iv) the possibility of unanticipated developments in the international conformity assessment framework (e.g. the growth of bilateral agreements between large trading partners, or new requirements imposed by IAF or ILAC) that would depreciate the value of MRAs among IAAC members.

- 6.3 During the project design phase these risks have been taken into account and are considered manageable for the following reasons. First, there are very strong economic incentives for both accreditation bodies and laboratories to succeed in the training and implementation components of the project. Second, the world of conformity assessment is changing rapidly, but increased adherence among multilateral players to the principle of *transparency*, suggests that the project will be able to monitor new information and developments affecting conformity assessment with sufficient response time inform all participants of new rules. Furthermore, participating third parties, such as the ANSI, INMETRO, and A2LA are major players in the global standards and conformity assessment framework, and these will provide valuable feedback over the course of the project.

## **VII. PERFORMANCE INDICATORS AND EVALUATION**

- 7.1 The Bank will contract individual consultants with project resources to carry out two evaluations of the project. A mid-term evaluation will be performed 18 months after the execution begins. A final evaluation will be conducted within six months after the project is completed. Based on the mid-term external evaluation, the project team, together with the Country Office, will carry out annual performance evaluations to determine whether the project should be continued, suspended, or cancelled.
- 7.2 The PEU will compile quantitative indicators for monitoring and for the mid-term and final evaluations of the project (see Annex I). Quantitative and "hard" indicators for the end of project evaluation include: (i) the establishment of IAAC as a legal entity; (ii) the number of accreditation bodies successfully implementing relevant ISO/IEC guides; (iii) the number of participating laboratories becoming accredited at the level of international acceptance guides; (iv) the number of accreditation bodies having successfully completed a mutual recognition agreement; (v) new revenues accruing to accreditation bodies and laboratories as a result of capacity building by the project; (vi) the increase in exports (particularly among SMEs) as a direct function of services rendered by participating accreditation bodies and laboratories; (vii) the establishment of the ACREDATA data base functioning in all five countries and the number of data entries on conformity assessment requirements, etc; and (viii) the number of technicians successfully trained in testing and calibration laboratories, inspection bodies, and certification entities.
- 7.3 Indicators for the mid-term evaluation include: (i) the number of laboratory Lead Assessors successfully trained by the project, (ii) the number of these currently employed as Lead Assessors; (iii) the number of stakeholders who have had their awareness raised regarding the importance of conformity assessment; (iv) quality documentation according to international best practices; (v) the number and type of publications produced for promotion material for conformity assessment bodies.
- 7.4 Three months after the project execution period, the final evaluation will be performed. The external consultants will take into account the program's impact on individual institutions. The evaluation will focus on key areas such as: measuring the cost of

services provided and the benefits obtained, the impact upon the technical and economic viability of the participating institutions, and the degree to which the project has promoted the goal of establishing IAAC as a regional cooperation entity.

#### **VIII. EXCEPTIONS TO POLICIES AND PROCEDURES**

- 8.1 The project implies no exceptions to Bank policies and procedures.



**ANNEX 1**  
**SUMMARY OF LOGICAL FRAMEWORK**

<b>OBJECTIVES</b>	<b>INDICATORS</b>	<b>MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
<b>GENERAL OBJECTIVE</b> have facilitated trade and increased competitiveness of small and medium enterprises through the enhanced access to regional and international markets.	<ul style="list-style-type: none"> <li>a) Number of SMEs exporting as a result of locally obtained test results and/or certification;</li> <li>b) Number of SMEs obtaining internationally recognized test results and/or certification from local bodies;</li> <li>c) Number of SMEs increasing domestic sales as a result of locally obtained test results and/or certification;</li> <li>d) Lower average cost of local certification and/or testing.</li> </ul>	<ul style="list-style-type: none"> <li>a) Data from accreditation bodies, certification bodies, laboratories, and relevant ministries;</li> <li>b) Data reported from firms;</li> <li>c) Data from IAAC database (ACREDATA);</li> <li>d) Data from export associations, chambers of commerce, industry and producers associations.</li> </ul>	<ul style="list-style-type: none"> <li>a) Significant percentage of SMEs receiving awards for raising utilize local standards in conformity assessments;</li> <li>b) Five national accreditation bodies achieve mutual recognition agreements;</li> <li>c) 15 laboratories are accredited;</li> <li>d) Significant number of technicians trained in laboratories, certification and inspection bodies and implementation of best practices in their organizations.</li> </ul>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><b>OBJECT PURPOSE</b></p> <p>have built capacity in accreditation bodies, laboratories, and certification and inspection bodies.</p>	<ul style="list-style-type: none"> <li>a) Successful implementation of ISO/IEC guides in five national accreditation bodies;</li> <li>b) Successful implementation of ISO/IEC guides in 15 laboratories in five countries;</li> <li>c) Number of testing and calibration laboratories, certification and inspection bodies in the process of implementing ISO/IEC guides and other international best practices as a result of the training of 600 managers and technicians in five countries;</li> <li>d) Number of national accreditation bodies having achieved mutual recognition agreements with other participating accreditation bodies and/or other members of IAAC;</li> <li>e) Number of testing or calibration laboratories, certification or inspection bodies having certifications and/or test results internationally recognized as a result of local and/or international accreditation.</li> </ul>	<ul style="list-style-type: none"> <li>a) Data maintained by accreditation bodies, laboratories, certification and inspection bodies</li> <li>b) Data maintained by IAF, ILAC, and IAAC;</li> <li>c) IAAC database (ACREDATA).I.</li> </ul>	<ul style="list-style-type: none"> <li>a) Five national accreditation bodies achieve mutual recognition agreements</li> <li>b) 15 laboratories are accredited</li> <li>c) Significant number of technicians trained in laboratories, certification and inspection bodies implementation of best practices in their organizations;</li> <li>d) Laboratories use assessment services provided by experts trained by the project.</li> </ul>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>COMPONENTS</b>			
Raised awareness of the importance of conformity assessment for competitiveness.	<ul style="list-style-type: none"> <li>a) Attendance numbers at conferences and personal meetings with a total of 500 major private and public sector stakeholders;</li> <li>b) Survey data collected and distribution of promotional material to SMEs in five participating countries plus other 12 IAAC member countries.</li> </ul>	<ul style="list-style-type: none"> <li>a) List of participants;</li> <li>b) Expert reports on meetings;</li> <li>c) Survey data;</li> <li>d) Data from conformity assessment bodies confirming increased demand for services in private sector.</li> </ul>	<ul style="list-style-type: none"> <li>a) That the majority of private sector and public sector stakeholders, and SMEs accept that conformity assessment is an issue affecting their competitiveness and seek services in this area.</li> </ul>
Creation of a supply of national expertise in conformity assessment	<ul style="list-style-type: none"> <li>a) The number of managers and staff from five accreditation bodies successfully completing training on ISO/IEC guides, quality management systems, and peer review;</li> <li>b) The number of national experts successfully trained as Lead Assessors in ISO 17025 for laboratory quality management systems;</li> <li>c) The number of successful applicants completing training in general requirements for competence of: testing and calibration laboratories, inspection and certification bodies;</li> <li>d) The number of managers from conformity assessment bodies that have successfully devised new business strategies aimed at SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>a) Records from international consultants as to the number of staff in accreditation and conformity assessment bodies successfully completing training requirements;</li> <li>b) Records of number of national consultants having successfully passed requirements for ISO 17025 for laboratory management systems;</li> <li>c) The number of staff from conformity assessment bodies completing training courses;</li> <li>d) The number of new business and marketing plans by conformity assessment bodies as well as the increase in services rendered to SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>a) Managers and staff of accreditation bodies and laboratories are able to allocate time and resources to enter and successfully complete training courses;</li> <li>b) That there are a sufficient number of qualified applicants for training with the ability to pay for training;</li> <li>c) That there are 120 employees of testing and certification laboratories in each country who can participate in training and pay fees;</li> <li>d) That conformity assessment bodies identify viable business opportunities in the SME sector.</li> </ul>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Implementation of international conformity management systems and best practices for conformity assessment bodies.	<ul style="list-style-type: none"> <li>a) Five accreditation bodies successfully implement ISO/IEC guides according to international best practices;</li> <li>b) Five accreditation bodies will successfully pass "pre- and peer review" process under regional and international auspices;</li> <li>c) 15 laboratories pass proficiency testing and inter-laboratory comparisons.</li> </ul>	<ul style="list-style-type: none"> <li>a) Reports from international consultants as to outcomes of implementation;</li> <li>b) Technical reports to indicate outcomes of proficiency testing and inter-laboratory comparisons;</li> <li>c) Reports from international and regional peers on success of each accreditation body.</li> </ul>	<ul style="list-style-type: none"> <li>a) Five accreditation bodies have staff and technical capacity to successfully complete implementation of ISO/IEC guides and proficiency testing and inter-laboratory comparisons;</li> <li>b) 15 laboratories are able to pass proficiency testing and inter-laboratory comparisons;</li> </ul>
Strengthened capacity information and knowledge in conformity assessment in the region.	<ul style="list-style-type: none"> <li>a) The establishment of the ACREDATA database at IBP with full participation of 6 participating accreditation bodies as on-line users and contributors ;</li> <li>b) Development of promotional materials and information on conformity assessment.</li> </ul>	<ul style="list-style-type: none"> <li>a) Ascertain from IBP the state of the ACREDATA database;</li> <li>b) The production of materials for distribution.</li> </ul>	<ul style="list-style-type: none"> <li>a) Significant participation and response rate on the part of those organizations surveyed;</li> <li>b) Interest in maintaining a database on participating accreditation bodies.</li> <li>c) Interest in private and in particular SMEs in providing timely data on conformity assessment issues.</li> </ul>

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR OVERCOMING  
TECHNICAL BARRIERS TO TRADE THROUGH STRENGTHENED  
ACCREDITATION SYSTEMS

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 Multilateral Investment Fund, to enter into such agreements as may be necessary with the Institute of Brazilian Quality and Productivity, and to take such additional measures as may be pertinent for the execution of the project proposal contained in the Donors Memorandum MIF/AT- with respect to a nonreimbursable technical cooperation for overcoming technical barriers to trade through strengthened accreditation systems.
2. That up to the sum of US\$1,670,640 or its equivalent in other convertible currencies shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.