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**REGIONAL
(BOLIVIA, COLOMBIA, ECUADOR, PERU, VENEZUELA)**

**MARKET ACCESS AND INTEGRATION
THROUGH TECHNICAL STANDARDS**

(RG-M1001)

DONORS MEMORANDUM

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ABBREVIATIONS

CAN	Andean Community
CANO	Comité Andino de Normalización [Andean Standardization Committee]
CESI	Committee on Environment and Social Impact
COPANT	Pan-American Standards Commission
FONDONORMA	Fondo para la Normalización y la Certificación de la Calidad [Fund for Standardization and Quality Certification]
FTAA	Free Trade Area of the Americas
IBNORCA	Instituto Boliviano de Normalización y Calidad [Bolivian Standardization and Quality Certification Institute]
ICONTEC	Instituto Colombiano de Normas Técnicas y Certificación [Colombian Standards and Certification Institute]
IEC	International Electrotechnical Commission
INDECOPI	Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual [National Institute for the Defense of Competition and Intellectual Property]
INEN	Instituto Ecuatoriano de Normalización [Ecuadorian Standardization Institute]
ISO	International Organization for Standardization
MERCOSUR	Southern Common Market
MRA	Mutual recognition agreement
NSO	National standardization organization
PEU	Project execution unit
PPMR	MIF project performance monitoring report
RAN	Red Andina de Normalización [Andean Standardization Network]
SMEs	Small and medium-sized enterprises
WTO	World Trade Organization

MARKET ACCESS AND INTEGRATION THROUGH TECHNICAL STANDARDS (RG-M1001)

I. EXECUTIVE SUMMARY

Recipient countries:	Bolivia, Colombia, Ecuador, Peru, Venezuela		
Executing agency:	Instituto Colombiano de Normas Técnicas y Certificación (Colombian Standards and Certification Institute, ICONTEC)		
Beneficiaries:	<p>The project will benefit over 5,000 business owners, government officials and experts in the public and private sectors, who will be aware of the importance of developing technical standards for directly or indirectly exportable goods and inputs for their production chain; enterprises participating in the 70 standardization programs for the development of approximately 250 standards; 100 enterprises that will follow conformity assessment guidelines and seek to have their products certified; 2,300 course participants who will receive specific technical training relating to the standardization programs; and 180 experts to be trained in good practices for standardization to sharpen their technical and administrative performance. In addition, ICONTEC, FONDONORMA, IBNORCA and other beneficiaries such as INEN and INDECOPI will benefit from institutional strengthening in their capacity as facilitators of national standards development efforts and, together with the CAN General Secretariat, as organizations helping to promote integration for the benefit of businesses and industries that share common export markets.</p>		
Financing:	Modality:	Nonreimbursable (Facility III-A)	
	MIF	US\$2,790,940	
	ICONTEC	US\$1,941,311	
	TOTAL	US\$4,732,251	
Objectives:	<p>The goal of the project is to strengthen the competitiveness of recipient SMEs by getting them involved in industry-wide, country-wide and region-wide standardization efforts to facilitate trade in goods and services and promote regional, hemispheric and global integration. Its purpose is to mount a model or pilot project for technical standard setting, demonstrating to government and the private sector its strategic importance for trade facilitation and, hence, the need to ensure its sustainability. The targeted output at the conclusion of the project is the implementation of a sustainable working model, in which there is</p>		

steady demand for standards development with an increasingly large share of cofinancing furnished by stakeholders.

The project will achieve this goal through four components, namely awareness-raising activities for the public and private sectors, the development of technical standards and conformity assessment guidelines, training, and the establishment of a national and regional information system and the training of country experts involved in standardization work.

**Implementation
schedule:**

Execution period: 48 months
Disbursement period: 54 months

**Special contractual
clauses:**

As a condition precedent to the first disbursement of Bank resources, the executing agency must provide evidence that: (i) the project executing unit has been set up, and the project manager and country coordinators selected; and (ii) the Operating Regulations for the project, as agreed with the Bank, are in effect. **Special condition on execution:** The executing agency will enter into subexecution agreements with IBNORCA, FONDONORMA, and the CAN General Secretariat for the execution of project activities, under terms agreed upon in advance with the Bank. Subexecuting agencies may participate in the project upon entering into any such cooperation agreement. No subexecuting agency's delay in entering into an agreement will delay the project activities.

**Environmental and
social review:**

The Committee on Environment and Social Impact (CESI) reviewed the project at its 3 October 2003 meeting. The Committee's observations have been addressed in this document (paragraph 8.1).

**Exceptions to Bank
policy:**

None.

**Coordination with
other official
development finance
institutions:**

ICONTEC will ensure coordination with projects financed by other institutions (paragraph 2.11).

II. BACKGROUND

- 2.1 Technical trade requirements demanded by buyers are on the rise in supply chains around the world. Market penetration requires that vendors meet these requirements. The World Trade Organization (WTO) has acknowledged the fact

that such requirements can turn into serious trade barriers, in its Agreement on Technical Barriers to Trade. In general, this agreement calls on all member countries to practice transparency in the formulation of regulations and requirements, and insists that all such requirements be justifiable, as well as nondiscriminatory. Moreover, insofar as possible, such requirements are to be based on international norms. The agreement also recognizes the fact that countries have different levels of technical skills and know-how, and advocates the mounting of emergency capacity-building programs, particularly in developing and less developed countries, as well as the harmonization of national standards.¹

- 2.2 Conformity assessment, which is important for international trade facilitation, refers to the process of determining whether a particular product or process meets the requirements established by a given technical specification or regulation. Conformity assessment involves product testing, inspection, sampling, verification, warranty, registration/certification and approvals. Accordingly, standardization and the international harmonization of standards have become crucial to trade. Difficulties arise when product and process standards, technical regulations² and conformity assessment procedures differ from one domestic market to another. Such differences can be costly to work out, inasmuch as the goods in question must meet specifications of two or more systems. This, added to the cost of testing and compliance certification, can account for as much as 10 percent of production costs.
- 2.3 In the face of such requirements, whose satisfaction is essential for market access, SMEs are finding that the number of technical standards which can be used as a basis for the testing, inspection and certification necessary to demonstrate their compliance with such requirements to prospective customers is limited at best. In other cases, while such standards do exist, there is no regional, hemispheric or global harmonization system in place.
- 2.4 Technical standards are developed and harmonized by national, regional, hemispheric and international standard-setting bodies. ICONTEC, FONDONORMA, IBNORCA, INEN and INDECOPI are all examples of national standardization organizations in the Andean region. They are members of the Andean Standardization Committee (Comité Andino de Normalización, CANO), the Pan-American Standards Commission (COPANT), the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Each national organization has an annual standardization program and takes part in regional and international standardization efforts through its participation on technical committees and in agreements and programs within the framework of the CANO, COPANT, ISO or IEC.

¹ This is generally achieved implicitly through the development of national standards based on international norms.

² Mandatory regulations imposed by government.

- 2.5 **Proposed solution.** The project will endeavor to develop a body of standards designed to help achieve economies of scale and promote efficient and effective combinations of parts and components in production processes, facilitate the sharing of technology employed in products and processes, and serve as a time-saving reference tool for the organization of production processes by working with the national and regional standard-setting bodies referenced in the previous paragraph, under the leadership of one such body, namely ICONTEC, which will serve as the project executing agency. Such standards will furnish businesses with information on minimum quality requirements and time- and money-saving methods, and ensure that such information is conveyed in a consistent, predictable format, thereby boosting nationwide, regional and international consumption. Similar standards will greatly facilitate and speed the movement of information, goods and services in trade. The technical standards developed as a result of the project will help facilitate trade and eliminate technical barriers to trade.
- 2.6 It is incumbent upon any country, industry and business consortium in need of a body of standards to undertake standards development efforts, taking into account the capabilities of each group of manufacturers, as well as consumer expectations, and reconciling the requirements of all interested parties to, ultimately, position itself to offer a standard-compliant product. In marketing products outside the Andean Community, the countries taking part in this project do not necessarily have the same needs, which means addressing highly specific requirements. Nevertheless, the project will endeavor to promote standards development for common industries and products through corresponding CAN standardization bodies, to capitalize on economies of scale and productive linkages and achieve a critical mass of goods enabling businesses within the trade bloc to efficiently and effectively compete in export markets outside the region.
- 2.7 Accordingly, the project establishes a framework for the coordination of industry-wide needs at the **national and regional** levels, to capitalize on cross-country **productive complementarities**. It will also coordinate the involvement of different stakeholders with an interest in the content of standards from the standpoint of production or conformity assessment, both in the public and private sectors (businesses, unions, academia, regulatory agencies and NSOs), to heighten their impact on **productivity** and **trade facilitation**. The participation and coordination of interested stakeholders will not only help ensure the development of appropriate standards, but also facilitate their implementation and dissemination. The work carried out under this project will help build needed expertise enabling government agencies and private organizations involved in the conformity assessment system to adapt and strengthen their procedures and infrastructure for trade facilitation purposes. The consolidation of technical standards (and, ultimately, of technical regulations) and of conformity assessment procedures in Andean countries should ensure transparency in regional trade and enable the Andean countries, as a group, to meet foreign market requirements.

- 2.8 The project deals only with voluntary standards, not mandatory technical regulations. However, even if there are no regulatory or contractual requirements for meeting established standards, voluntary standards are pivotal in international trade, first, because their requirements reflect consumer needs and expectations and, secondly, because they encourage users to demand a certain standard. Thus, at a minimum, market access is predicated on compliance with corresponding standards. Furthermore, integration requires that standards in an integrated market be harmonized, and any hope of establishing a true global marketplace is predicated on the existence of international standards. Accordingly, the WTO encourages the use of international technical standards as the basis for national standards and regulations. Even if there are no international standards for a particular product, it is advisable to peg regulations to national standards, inasmuch as there are mechanisms and structures in place for the harmonization of such standards at the international level (ISO and IEC) and regional level (COPANT and CANO), but no such machinery for the harmonization of regulations. Thus, if regulations are pegged to established standards, then the harmonization of such standards will automatically reconcile corresponding regulations.
- 2.9 The **additionality or innovation** of this project with respect to the status quo lies in the fact that it represents the first methodical step or link in a **systematic approach** to addressing the constraints discussed above. This systematic approach uses Andean NSOs as its executing agencies and is grounded in a model designed to heighten awareness of the importance of standards, get stakeholders involved in standards development work and coordinate their efforts, finance standards development and implementation and provide training in their use, as a way of facilitating market access for SMEs. Integration and trade require practical, viable facilitation tools, and the involvement of the MIF is pivotal in mounting a market-oriented project with a national and regional impact. The project will also help improve the performance of national and regional standardization systems in terms of their coordination, stakeholder involvement, their focus on productivity and market orientation, the transparency of corresponding processes and the building of local expertise. The proposed project model has been promoted jointly at the hemispheric level by MIF/COPANT and, accordingly, will be **replicated** in countries within the expanded MERCOSUR region under project TC-03-02-5-RG. Similar operations are being considered for Central America and the Caribbean.
- 2.10 **Bank strategy.** The proposed project is in line with two of the Bank's major focus areas, namely competitiveness and regional integration, and is designed to improve market access and strengthen the regional integration process. The Bank's regional strategy with the Andean countries seeks, among other things, to help improve access to the intraregional market, harmonize existing standards, and support and assist institutions involved in the integration process. The project is designed to facilitate trade and help major exports meet requirements for access to their leading target markets as part of the movement toward more open economies and the

integration and international negotiation process, which are frequently associated with a rise in nontariff barriers.

- 2.11 While there are no previous initiatives similar in scope to this project, there are a number of related ongoing operations. The Andean Community and European Union have been conducting a joint technical assistance and cooperation program for improving quality in Andean countries since 2002, designed, among other things, to build expertise in metrology, make an inventory of accredited organizations, train auditors and experts in standards development and promote the signature of MRAs. However, the program lacks any provision for private sector involvement and/or promoting market access or integration, supply chain participation, or development of a “model” such as that proposed in the MIF project. There are also other MIF projects from which important lessons can be learned, particularly operations designed to strengthen the competitiveness and business management skills of Andean SMEs through the implementation of ISO management systems.³ The proposed project design draws on the main lessons learned from these previous undertakings. Most importantly, the project will establish impact indicators and a data collection system for measuring value added and the profitability of SMEs involved in standards development and implementation efforts, among other things. The project’s region wide scope allows for rapid comparisons of the experiences of different countries as the basis for drawing general lessons. Once this information is confirmed, it will be shared with the government and private sector as an important lasting feature of the project.
- 2.12 The project is in line with MIF guidelines as established in the **Facilitation of International Trade and Investment** cluster action plan. As part of this cluster, the project will profit from the sharing of information and experiences and the dissemination of best practices and lessons learned among beneficiary executing agencies.

III. OBJECTIVES AND COMPONENTS

- 3.1 The broad objective of the project is to strengthen the competitiveness of SMEs by getting them involved in regional, national and sectoral standardization efforts to facilitate trade in goods and services and promote regional, hemispheric and global integration. Its specific objective is to mount a pilot project for technical standard-setting demonstrating to government and the private sector its strategic importance for trade facilitation and, hence, the need to ensure its sustainability. The targeted

³ Projects ATN/MH-6752-CO, ATN/MH-6919-PE, ATN/MH-7236-PE, ATN/MH-7237-PE, ATN/MH-7409-BO and ATN/MH-7704-VE. On average, these projects are between 50% and 100% completed from the standpoint of the disbursements and project activities, and, without exception, adequately meet the development objectives and efficiency targets set in the MIF project performance monitoring report.

output at the conclusion of the project is the implementation of a sustainable working model⁴ in which there is steady demand for standards development with an increasingly large share of cofinancing furnished by stakeholders. The project will achieve this goal through four components, namely awareness-raising activities for the public and private sectors, the development of technical standards and conformity assessment guidelines, training, and the establishment of a national and regional information system and the training of country experts involved in standardization work.

1. Component I: Awareness-raising activities (MIF: US\$398,360; ICONTEC: US\$134,600)

- 3.2 The objective of this component is to sensitize government and the private sector in Colombia, Venezuela, Bolivia, Peru and Ecuador to the importance and benefits of standards. To achieve this objective, project activities under this component include the organization of national conferences in all five recipient countries, and the implementation of a nationwide communications plan, publication of standards and guidelines, and attendance at trade shows, congresses and conferences in the first three, which have agreed to provide counterpart funding for the development of standards.
- 3.3 The targeted outcome is a government and private sector that are aware of the benefits of technical standardization and familiar with the accomplishments of standardization programs. More specifically, the project should get at least 1,000 SME owners and professionals in the government and private sectors of each of the five recipient countries involved in standardization efforts, sensitizing them to the importance of developing technical standards for directly or indirectly exportable goods and inputs for their production chain. Other targeted outcomes in Colombia, Venezuela and Bolivia include eight press releases and 16 articles per country in trade journals, the production and distribution of a minimum of 5,000 sector-specific educational brochures per country, the publication of 17 standards compendiums and the attendance of a minimum of four trade shows, congresses and conferences per country.⁵

2. Component II: Development of standards and conformity assessment guidelines (MIF: US\$1,250,650; ICONTEC: US\$1,196,765)

- 3.4 The objective of this component is to bolster efforts to develop national and regional technical standards and conformity assessment guidelines in targeted

⁴ A systematic approach to advocating the importance of standards and getting stakeholders involved in their development, financing and implementation as a way of facilitating market access (the project development objective or targeted outcome).

⁵ The Gantt chart included in the project technical files gives a detailed timeline for implementing each activity.

sectors and, where applicable, promote involvement in hemispheric and international standardization processes.⁶ To achieve this objective, activities to be conducted under this component in Colombia, Venezuela and Bolivia include an assessment of national and regional technical requirements for major export markets, to identify specific national or regional sectors/products for standardization and establish procedures for updating such requirements; the establishment of progress and performance indicators and a corresponding measuring system based on the use of surveys; the development of standards and conformity assessment guidelines; participation on ISO, COPANT and CAN committees; and the implementation of conformity assessment procedures.

- 3.5 Standards development work will be grounded in internationally accepted procedures used by participating NSOs and performed by specialized technical committees, with all interested stakeholders in the targeted area invited to join in the work of such committees. NSO standardization coordinators will be assisted by standardization experts hired with project funds, who will take charge of all technical aspects of the work of the standardization committees. The NSO officials serving as standardization coordinators will be in charge of overseeing all technical and operational aspects of standardization activities. The cost of these activities will be covered by counterpart funding. The standardization coordinators will work with the coordinator at the CAN General Secretariat to harmonize resulting documents based on national and regional technical requirements identified for major export markets (budget activity 2.1).
- 3.6 The targeted outcome is the development of standards based on the proposed “model”, or, more specifically, the development of 250 published standards or corresponding final reports; a minimum of 15 common standards in the preparatory stage (as part of the Andean standardization process) over the course of the project for at least three countries; the development of a minimum of 175 conformity assessment guidelines; participation on at least eight international committees; and the implementation and completion of a minimum of 100 conformity assessment procedures based on standards and assessment guidelines.

3. Component III: Training (MIF: US\$131,760; ICONTEC: US\$85,536)

- 3.7 The objective of this component is to provide training in priority areas as required for purposes of Component II. To achieve this objective, this component provides for courses on enforcement issues, technical requirements and assessment procedures (requirements and standards in priority areas under Component II) to be conducted in Colombia, Venezuela and Bolivia.
- 3.8 The targeted outcome is the training of specialists at SMEs, trade associations, oversight agencies and advocacy organizations, auditors, training centers and

⁶ The sector and product selection criteria are given in the Operating Regulations.

individual consultants in enforcement issues, technical requirements, conformity assessment and cross-industry issues such as social and environmental responsibility. More specifically, the activities mounted under this component will train a minimum of 300 participants per country or 900 course participants (three modules) in Colombia and Venezuela and 500 course participants in Bolivia.

**4. Component IV: National and regional information system
(MIF:US\$245,130; ICONTEC: US\$203,760)**

- 3.9 The objective of this component is to help coordinate activities conducted as part of national and regional standardization processes and train country experts involved in standardization work. To achieve this objective, scheduled activities under this component in Colombia, Venezuela and Bolivia include the design and implementation of national and regional information systems, a course/workshop for experts (public/private sector representatives on committees for the development of standards and technical regulations) on good practices for standardization management, and publication of the compendiums of national standards developed under Component II.
- 3.10 The targeted outcomes in this case are an operational national and regional information system and the provision of training in good practices for standardization management. More specifically, activities under this component will produce an operational networked information system accessed and used by at least 10% of the SMEs and agencies and organizations in each country targeted by awareness-raising activities under Component I, two courses/workshops per country providing training to a minimum of 60 experts per country, including representatives of agencies in charge of the drafting of technical regulations, and one conference per standards compendium developed under Component II.

IV. COST AND FINANCING

- 4.1 The total estimated cost of the project is US\$4,732,251, including US\$2,790,940 in nonreimbursable MIF funding (Small Enterprise Development Facility). ICONTEC will contribute US\$1,941,311, including US\$1,106,121 in cash and US\$835,190 in kind. Annex II contains an itemized budget for the project.

(in U.S. dollars)

Components/cost categories	MIF contribution	ICONTEC	Total
Project coordination unit	459,600	144,000	603,600
Equipment and logistics	74,440	104,650	179,090
Component I	398,360	134,600	532,960
Component II	1,250,650	1,196,765	2,447,415
Component III	131,760	85,536	217,296
Component IV	245,130	203,760	448,890
Cluster activities	15,000		15,000
Midterm reviews (2) and final evaluation	60,000		60,000
Audits (4)	48,000		48,000
Percentages	108,000	72,000	120,000
TOTAL	2,790,940	1,941,311	4,732,251
Percentages	(60%)	(40%)	

- 4.2 **Sustainability.** Project sustainability will be ensured on two levels. On the individual business level, recipient firms will reap tangible benefits from improved market access as a result of standards development and implementation efforts. On the project level, insofar as technical standards are in the nature of public goods, it is hard to conceive of the private sector continuing to fully bear the costs of a process engendering a public good. Accordingly, on this level, project sustainability will be achieved in two ways: (i) first, the “model” to be used by all project components will set a precedent that can subsequently be replicated at the country level using a blend of public and private funding; and ii) second, project information and awareness-raising activities and tangible outcomes from pilot standardization initiatives could create an interest on the part of other private-sector organizations and/or governmental bodies in promoting efficient procedures for the development of standards and the elimination of trade barriers.

V. EXECUTING AGENCY AND IMPLEMENTATION

- 5.1 **Executing agency and project executing unit.** ICONTEC will serve as executing agency for the project. ICONTEC is a private nonprofit organization with over 40 years of experience. It is recognized by the Colombian government as a national standardization organization, and, as such, its mission is to promote and develop Colombian technical standards and furnish guidance for their enforcement. It is the Colombian representative to the ISO and IEC and a member of COPANT, CANO and the Colombian delegation to the FTAA. ICONTEC heads up the “sectoral standardization units” in charge of developing sector technical standards, which may subsequently be upgraded to the level of Colombian, regional or international

technical standards. ICONTEC has 140 full-time staff in five regional offices around the country and had US\$4,928,000 in operating income for the year 2002. It is noteworthy that ICONTEC has been executing project ATN/MH-6752-CO successfully, meeting the objectives and indicators set in the Donors Memorandum and logical framework. The project management has been held up as an example for other projects in the same cluster.

- 5.2 ICONTEC will serve as executing agency and host the project execution unit (PEU) with technical, administrative and financial responsibility for the project. The PEU will be in charge of all dealings with the Bank, including referrals of requests for clearances for procurements of goods and services under the project. Accordingly, the PEU will be staffed with: (i) a project manager, who will also serve as the country coordinator in Colombia; (ii) a regional administrative coordinator; (iii) an administrative assistant; (iv) an accounting clerk; and (v) a secretary.
- 5.3 **Subexecuting agencies.** Project execution and the use of MIF resources will be administered by ICONTEC in Bogota (PEU) and, at the country level, by IBNORCA and FONDONORMA as subexecuting agencies. ICONTEC will enter into subexecution agreements with FONDONORMA IBNORCA and the CAN General Secretariat, setting out their respective responsibilities and contributions to the project. This will enable the CAN General Secretariat to promote regional activities to be conducted as part of the project and coordinate regional harmonization efforts with respect to the standards developed there under. Each subexecuting agency will have a coordinator, who will report directly to the project manager at the PEU.
- 5.4 The only project activities to be conducted in Peru and Ecuador are awareness-raising and information activities designed to publicize project outcomes. The NSOs in both these countries are governmental bodies and have indicated that, owing to their current political and economic circumstances, they are simply not in a position to take part in, and commit funding to, a project of this nature. Accordingly, over the course of the project, efforts will be made to raise the awareness of different target groups in Peru and Ecuador as part of the activities conducted under Component I, so that they gradually join in the project through their involvement in regional harmonization efforts within the CANO framework.
- 5.5 **Advisory committees.** The project also will set up advisory committees in Colombia, Venezuela and Bolivia, to determine whether all standardization programs presented for project funding meet the requirements of the Operating Regulations with respect to their national/regional scope, sector, and the type of project, activities and beneficiaries involved. In addition to representatives of NSOs, these committees will also need to include representatives of unions and trade associations, export promotion agencies and organizations working for the advancement of SMEs.

- 5.6 **CAN General Secretariat.** As the executing agency for the Andean integration agreement, the CAN General Secretariat heads up the Andean Standardization Network of NSOs in the five Andean countries within the CANO framework in conjunction with a regional NSO (currently ICONTEC). The main responsibility of the CAN General Secretariat will be to coordinate harmonization of the standards developed under the project at the regional level. Thus, it will be involved in three facets of the project: (1) identification of regional and national technical requirements (productive complementarities or linkages) for major export markets, to target specific national or regional sectors/products for standardization; (2) coordination of regional standardization activities for the development of regional conformity assessment guidelines; and (3) implementation of formal procedures (within the CAN framework) and the monitoring of the regional public consultation process for technical standards developed at the country level.
- 5.7 **Execution period and disbursement schedule.** The project will be executed over four years (with a 48-month execution period and a 54-month disbursement period). A Gantt chart which provides a graphic representation and view of the 48 months of execution is available in the technical files.
- 5.8 **Project readiness.** Together with the project team, ICONTEC has: (i) presented the MIF with a letter of commitment for all counterpart funding; (ii) submitted letters from all subexecuting agencies committing themselves to take part in the project and expressing a willingness to provide counterpart funding; (iii) completed a first draft of the Operating Regulations, which also includes guidelines for the use of best practices for funds management and administration; (iv) prepared drafts of the subsidiary agreements to be signed with each subexecuting agency; and (v) developed terms of reference for all PEU staff, country coordinators and major consultants.
- 5.9 **Procurement.** The selection and hiring of consultants and procurement of materials and equipment for the project will be governed by applicable MIF and Bank policies and procedures. It is proposed, moreover, that the Bank will conduct ex post reviews of contracts for consulting services up to US\$30,000. However, the Bank will conduct ex ante reviews of the first two contracts, with ex post reviews thereafter, in accordance with applicable Bank policies.
- 5.10 **Financial oversight.** The PEU will ask the Bank to deposit the project funds into a special account administered by ICONTEC, which, in turn, will arrange for all project subexecuting agencies to open separate bank accounts to be used specifically for the administration of MIF funds. In the event of a Bank-approved replenishment of funds, ICONTEC may ask the Bank to wire the funds directly to the accounts of each subexecuting agency.
- 5.11 Standards development activities will be partially funded by the MIF. Project beneficiaries may submit requests for funding to ICONTEC under an open-door

policy, FONDONORMA and IBNORCA. The eligibility of such activities for cofinancing will be reviewed and determined by an advisory committee by a flexible process based on pre-established criteria described in the Operating Regulations.

- 5.12 The proposed amount of the project revolving fund is up to 20% of the Bank's total contribution. This is based on estimates of the funding needs of executing and subexecuting agencies for the first three months of the project. Disbursement requests must be accompanied by proper supporting documentation, including a certified statement of commitments, expenditures and projected cash flow requirements. ICONTEC will be responsible for ensuring that project activities are conducted in accordance with the approved Donors Memorandum, accurate records are kept according to Bank procedures, and all such practices are reviewed by the Bank and external auditors.

VI. MONITORING AND EVALUATION

- 6.1 The Bank's Country Office in Colombia will be responsible for project supervision and oversight, monitoring compliance with contractual provisions, processing disbursement requests and obtaining audited financial statements. The IDB/MIF and ICONTEC will jointly arrange to hire individual consultants to conduct two midterm reviews 18 and 36 months into the project, and a final evaluation three months after project completion, based on the Donors Memorandum, the indicators established in the logical framework and project performance monitoring report, and the data generated by the progress and performance indicators used in Component II. Any significant disparity revealed by the midterm reviews in the implementation of project activities and the use of project funds could result in the reapportionment of project funding among the executing and remaining subexecuting agencies, which, in turn, will require a new breakdown of logframe indicators and counterpart contributions in proportion to the amount of funding received. Another option is the cancellation of the funding and elimination of corresponding indicators. The project financial statements will be audited annually by a firm of independent public accountants selected and hired pursuant to relevant Bank policies and procedures. The costs of hiring the accounting firm will be covered out of the Bank's contribution. Contracting and procurement will be in accordance with Bank policies and practices.
- 6.2 Project monitoring and evaluation activities will be coordinated with the Bank's Integration Department, so as to meet the regional integration objectives for the project. Such activities will also be coordinated with the MIF **Facilitation of International Trade and Investment** cluster. The indicators developed in connection with this project for measuring SME performance will be monitored in conjunction with the MIF office, to capitalize on and complement ongoing MIF

cluster activities. Project representatives will attend yearly cluster workshops to share information and experiences with respect to the project cluster.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** (i) The project will underscore and build awareness of the importance of standardization and conformity assessment to SMEs among interested private sector or regional stakeholders. (ii) The proposed model will be used to develop a body of standards in each country in targeted exporting industries that generate foreign exchange. (iii) The involvement of the CAN General Secretariat will expedite the development and harmonization of technical standards designed to facilitate trade and overcome technical barriers to help promote integration. (iv) Interested stakeholders will be furnished with practical information on technical requirements, regulations, standards, acceptable tests and certificates and other vital information for improving market access. (v) Training activities in pre-established priority areas on issues such as management, technical requirements and related conformity assessment mechanisms will substantially improve skills and expertise at the country level. (vi) The project will reinforce the institutional framework for technical standardization at the regional level while, at the same time, strengthening the CAN General Secretariat to serve as the system administrator.
- 7.2 **End beneficiaries.** The project will benefit over 5,000 business owners, government officials and experts in the public and private sectors who will be sensitized to the importance of developing technical standards for directly or indirectly exportable products and inputs for their production chain; enterprises participating in the 70 standardization programs for the development of approximately 250 standards; 100 enterprises that will follow conformity assessment guidelines and seek to certify their products; 2,300 course participants who will receive specific technical training relating to the standardization programs; and 180 experts to be trained in goods practices for standardization to sharpen their technical and administrative performance. The benefits of standardization are reaped by society as a whole, regardless of the requesting party and the parties directly involved in the standards development process. Through standardization, SMEs will benefit from their dealings with large enterprises, both as suppliers and even as competitors, in that established standards give them access to the research data and experience of big business.
- 7.3 **Risks.** (i) The public and private sectors may not consider standardization a priority. This constraint will be addressed systematically by meeting with and endeavoring to sensitize and train the different stakeholders involved in standards development work. The involvement and cooperation of interested stakeholders will not only expedite the development of appropriate standards, but will also facilitate their implementation and dissemination. More specifically, participation by SMEs will be ensured by involving sector and regional associations and

technology centers working with these types of enterprises. (ii) There may not be a clearly identifiable common ground or a political will on the part of CAN General Secretariat member governments for the harmonization of national standards. The project addresses this constraint by conducting a study to establish common regional areas of interest based on national priority areas, and by including national government stakeholders in activities designed to raise awareness of the strategic importance of standardization as a tool for improving market access and promoting integration. (iii) There is a fear that the national standards developed as part of this project could operate as technical barriers to intraregional trade. Specifically, the project seeks to support trade facilitation through implementation of the proposed model, drawing on existing ISO, WTO and CAN procedures and monitoring regional public consultation processes with respect to technical standards developed at the country level.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The following provisions address observations made by the CESI. (i) The boards of directors of the NSOs of all three countries include representatives of governmental standard-setting bodies. Moreover, in accordance with ISO principles and the WTO Agreement on Technical Barriers to Trade, NSO technical standardization committees are guaranteed to include representatives of government and other interested sectors, to ensure the development of consensus-based standards. (ii) The project focuses on product rather than management standards. (iii) Participating NSOs will take special pains to ensure that the standards developed under this project are environmentally friendly and take into account sustainable environmental management considerations. (iv) Sanitary and phytosanitary measures are not standards, but rather technical regulations governed by the provisions of the WTO Agreement on Sanitary and Phytosanitary Measures.

MARKET ACCESS AND INTEGRATION THROUGH TECHNICAL STANDARDS (RG-M1001)
LOGICAL FRAMEWORK

Objectives	Indicators	Means of Verification	Assumptions
Goal Strengthen the competitiveness of recipient SMEs by getting them involved in regional, national, and sectoral standardization efforts to facilitate trade in goods and services and promote regional, hemispheric and global integration.	Percentage increase in the degree of involvement of SMEs, regions and industries in standardization processes, application of standards developed at the national or regional level (establishment of technical requirements) and performance gains (market access) of participating SMEs that apply standards and conformity assessment guidelines.	<ul style="list-style-type: none"> • Before and after surveys • Ex post evaluation by the executing agency, based on progress and performance indicators and measurement system 	Macroeconomic conditions favor trade and competitiveness of SMEs through technical standardization. National institutions continue to develop and adapt new standards.
Purpose Mount a pilot project (“model”) for technical standard-setting, demonstrating to government and the private sector its strategic importance for trade facilitation and, hence, the need to ensure its sustainability. This will be accomplished through information activities promoting the benefits of standardization, standards development, technical training and conformity assessment.	Implementation of a sustainable working model ¹ by the end of the project with sustained demand for standards development with an increasingly large share of cofinancing furnished by stakeholders.	<ul style="list-style-type: none"> • Project report • Final evaluation • Project completion report • Registry of standards in each country 	The public and private sectors come to recognize the advisability of the widespread use of the proposed model to bolster and sustain standardization processes with funding over and above the financial assistance furnished by the MIF.

¹ The model will be the result of a systematic approach to advocating the importance of standards and getting stakeholders involved in their development, financing and implementation as a way of facilitating market access.

Objectives	Indicators	Means of Verification	Assumptions
Components and activities Component 1 Awareness-raising activities Activities:	<p>The public and private sectors are aware of the benefits of technical standards and the accomplishments of standardization programs (by end of project).</p>	<ul style="list-style-type: none"> • Project report 	<p>Awareness-raising programs generate demand from participants to take part in standards-setting processes.</p>
1.1 National conferences (\$126,560)	1.1 Involvement of a minimum of 1,000 SME owners and public and private sector experts in each country are sensitized to the importance of developing technical standards for directly or indirectly exportable products and inputs for their production chain. Two conferences per country per year.	<ul style="list-style-type: none"> • Project report • Database • Evaluation surveys 	<p>There is steady demand for participation in promotional and information activities underscoring the importance of technical standards to strengthen the competitive position of SMEs.</p>
1.2 Implementation of a nationwide communications plan (\$251,400)	1.2 8 press releases and 16 articles published in trade journals per country. 2 press releases and 4 articles per year. A minimum of sector-specific 5,000 educational brochures per country (1,250 per year).		
1.3 Publication of standards and guidelines (\$119,000)	1.3 17 standards compendiums published (8 in year 3 and 9 more by the end of the project).		
1.4 Attendance at trade shows, congresses and conferences (\$36,000)	1.4 Attendance at a minimum of 4 trade shows, congresses and conferences per country (1 per year).		

Objectives	Indicators	Means of Verification	Assumptions
<p>Component 2 Development of standards and conformity assessment guidelines</p> <p>Activities:</p> <p>2.1 Assessment of national and regional technical requirements for top export markets for the targeting of national (NSO) or regional (CAN/ASN) sectors/products for standardization and establishment of procedures for updating such requirements (\$23,500)</p> <p>2.2 Establishment of progress and performance indicators and a measurement system based on the use of surveys (\$113,760)</p>	<p>Development of standards based on the proposed “model” (by end of project).</p> <p>2.1 National (NSOs) or regional (CAN/RAN) sectors/products have been selected for standards, technical requirements identified, and update procedures agreed upon (second half of year 1).</p> <p>2.2 Indicators have been established; forms designed and sent out; and information gathered and entered into the monitoring system (ongoing during execution).</p>	<ul style="list-style-type: none"> • Project report • Registries of standards • Registries of guidelines • Project reports and databases • Implementation and conformity certification reports • Progress reports • Midterm reviews (2) 	<p>Exporters in each country must comply with technical requirements to access their terminal markets. Therefore, national standards must be developed, compliance demonstrated, and certificates of conformity supplied.</p> <p>There is common ground and political will on the part of CAN General Secretariat member governments, and their procedures are used to develop regional standards.</p> <p>There is a sustained interest on the part of SMEs and other key stakeholders in committee work to develop standards and implement conformity assessment guidelines.</p>

Objectives	Indicators	Means of Verification	Assumptions
<p>2.3 Standards development Development of conformity assessment guidelines (\$1,970,975)</p> <p>2.4 Participation on ISO, COPANT and CAN committees (\$39,180)</p> <p>2.5 Implementation of conformity assessment procedures (\$300,000)</p>	<p>2.3 250 published standards or corresponding final reports (50 in year 2; 100 in years 3 and 4). A minimum of 15 common standards are in the preparatory stage (as part of RAN activities) over the course of the project for three or more countries. A minimum of 175 conformity assessment guidelines are developed (35 in year 2 and 70 in years 3 and 4).</p> <p>2.4 Participation on a minimum of 8 international committees.</p> <p>2.5 Conformity assessment procedures based on standards and assessment guidelines have been implemented and complied with by a minimum of 30 Venezuelan, 30 Bolivian and 40 Colombian enterprises (20 in year 2, 40 in year 3, and 40 in year 4).</p>		
<p>Component 3 Training</p>	<p>Training of specialists at SMEs, trade associations, oversight agencies and advocacy organizations, auditors, training centers and individual consultants in application issues, technical requirements, conformity assessment and cross-sector issues such as social and environmental responsibility (by end of project).</p>	<ul style="list-style-type: none"> Project report 	<p>There is beneficiary demand for training on how to apply standards.</p>

[illegible]

Objectives	Indicators	Means of Verification	Assumptions
<p>4.2 Course/workshop for experts (public/private sector representatives on committees for the development of standards and technical regulations) on good practices for standardization management (\$16,440)</p> <p>4.3 Dissemination of national standards compendiums developed under Component 2 (\$48,450)</p>	<p>4.2 2 courses/workshops per country. Training of a minimum of 60 experts per country. Attendance by representatives of agencies in charge of drafting of technical regulations (1 in month 6 and the second in month 14).</p> <p>4.3. One conference per compendium (8 in year 3, and 9 in year 4).</p>		

BUDGET SUMMARY						
Market Access and Integration Through Technical Standards COMPONENTS	MIF	Counterpart		Subtotal	Comp. P	Comp. T
		Cash	Kind		%	%
Management and administration	459,600	144,000	-	603,600	13.63%	12.76%
Logistics	74,440	-	104,650	179,090	4.04%	3.78%
Component 1: Awareness-raising activities	398,360	72,000	62,600	532,960	12.03%	11.26%
Component 2: Standardization	1,250,650	636,540	560,225	2,447,415	55.26%	51.72%
Component 3: Training	131,760	20,736	64,800	217,296	4.91%	4.59%
Componente 4: National and regional standardization system	245,130	160,845	42,915	448,890	10.13%	9.49%
PROJECT SUBTOTAL	2,559,940	1,034,121	835,190	4,429,251	100.00%	93.60%
Evaluations	60,000	-	-	60,000		1.27%
Audits	48,000	-	-	48,000		1.01%
Cluster activities (annual meeting)	15,000			15,000		0.32%
Contingencies	108,000	72,000	-	180,000		3.80%
TOTAL	2,790,940	1,106,121	835,190	4,732,251		100.00%
			1,941,311			
	58.98%	23.37%	17.65%	100.00%		

41.02%

MIF's Projects in the Andean Region
Market Access and Integration through Technical Standards
RG-M1001

A. Similar or related MIF projects

Project Number and Approval Date	Project Name, Sector, Executing Agency and Amount	Signing Date and Disbursement Period in Months	Amount disbursed	Comments
ATN/MH-6752-CO 11/10/1999	Strengthening Small and medium Enterprises ICONTEC \$1,231,000	12/17/1999 54 months	\$623,439	Favorable development prospects, but with slow execution
ATN/MH-6919-PE 3/27/2000	Environmental Management System implementation Peru 2001 \$469,250	7/10/2000 54 months	\$363,293	Favorable development prospects
ATN/MH-7236-PE 11/29/2000	PyMES Quality Control Program SNI \$511,060	6/21/2001 42 months	\$171,303	Favorable development prospects, but with slow execution
ATN/MH-7237-PE 11/29/2000	PyMES Quality Control program INDECOPI \$551,250	7/3/2001 54 months	\$203,791	Favorable development prospects, but with slow execution
ATN/MH-7409-BO April 25, 2001	Strengthening SME Competitiveness in Bolivia IBNORCA \$651,600	6/24/2002 42 months	\$82,400	Favorable development prospects (outputs and outcomes), but with slow execution
ATN/MH-7704-VE	Quality & Environmental Management Systems in SMEs FONDONORMA \$1,208,979	1/24/2002 42 months	\$1,208,979 \$156,709	Favorable development prospects (outputs and outcomes), but with slow execution

B. Similar or Related Bank projects

None.

C. Projects related to the same sector or beneficiaries

Idem A.