

## TECHNICAL COOPERATION PROFILE

### I. BASIC PROJECT DATA

<b>Country/ Region</b>	Regional	
<b>Program name</b>	Information Management for Rules of Origin in Trans-Pacific Trade and Integration	
<b>Number</b>	RG-T1857	
<b>Leader / Team members</b>	Jeremy Harris (INT/INT); Yungju Carolina Oh (INT/INT), Carlos Gerardo Molina (KNL/SDI); Javier Jiménez (LEG/SGO); and Maria Rospide (INT/INT).	
<b>Date of Request</b>		
<b>Beneficiaries</b>	Latin American and Asian partner countries	
<b>Executing Agency</b>	Inter-American Development Bank	
<b>Name of the fund</b>	KPK Korean Fund for Technology and Innovation	
<b>Source of Funding</b>	KPK	USD350,000
	Total	USD350,000
<b>Technical and Basic Responsibility</b>	Integration and Trade Sector (INT/INT)	
<b>Execution and Disbursement Date</b>	30 months for execution and 36 months for disbursement	
<b>Objectives</b>	The overall project objective is to strengthen the technology for the analytical capabilities of countries in Latin America in the implementation and administration of the requirements arising from bilateral trade agreements and negotiations for convergence.	
<b>Tentative Date</b>	Approval by INT/INT Manager	June 2010

### II OBJECTIVES AND PROJECT DESCRIPTION BACKGROUND

- 2.1. The present decade shows an intensification of trade negotiations within and outside the region as evidenced by the numerous trade agreements negotiated by Latin American countries and their important efforts to expand and connect business ties with Asian countries. Increasingly, countries have signed new agreements involving Latin America and Asia, such as Chile, Mexico, China, Japan, Singapore, Thailand, and especially Korea, which is taking a proactive role in their investment and trade with Latin America. This trend occurs both between individual countries, as well as groups of countries, among which the Pacific Rim initiative stands out<sup>1</sup>.

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<sup>1</sup> Integrated by Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru.

- 2.2. This intensification of negotiations has created a dense web of trade agreements, which once all enter into force, together creates the need to initiate an innovative style of negotiation, on an increasingly global scale, of “convergence negotiations”. Convergence seeks to link the networks of agreements between countries in a new agreement to facilitate trade and allow the expanded application of the benefits of all bilateral negotiations. The idea of convergence is to reduce the isolation of individual agreements by establishing trade agreements that allow new regimes, without replacing existing arrangements, free movement of products between countries with agreements. Examples of these initiatives are the Pacific Rim Initiative and P4<sup>2</sup>. The primary issue that must be addressed in the convergence process is the rules of origin. Additionally, in the case of the Pacific Rim, the member countries of these initiatives have as one of its founding objectives negotiating and expanding trade with Asia and it is being developed as a block in order to increase negotiation capacity and attraction towards Asia.
- 2.3. The overall project goal is to create a technological platform that strengthens Latin American countries and, eventually, their partners in the implementation and administration of the requirements arising from bilateral trade agreements and their proper use, through the development of software systems to contribute to their achievement. This general objective is to be achieved through five specific objectives with the purpose to facilitate trade, expand and take advantage the use of agreements.

### **III. OBJECTIVES AND PROJECT DESCRIPTION**

- 3.1 Technological modernization coordinated in terms of technology capacities is an alternative that will benefit countries in Latin America and their partner countries, both operationally as well as their external image. The promotion of trade facilitation through improving information systems related to trade agreements contributes to the dissemination and implementation of commitments between regional and extra-regional members of the agreements.
- 3.2 In this line of work and as a result of preferential trade growth in Latin America, specialized administrative units are being created for the implementation, management, and control of origin regimes and for the verification of declarations of origin. For adequate source control, these units require computing system tools that allow, on the one hand, the identification of potential impacts on trade and, on the other, to execute risk analysis on a country's imports.
- 3.3 In regard to the facilitation of trade, as a key procedure in such processes constitute the certificates of origin. So far, certificates are circulating among countries printed on paper. The electronic certificate with digital signature has many advantages over the current system, among which include:
  - a) Reduction of errors filling out certificates;
  - b) Guarantee of no adulteration;
  - c) Streamlining processes and reducing operating costs for businesses;
  - d) Possibility of storage and records of certificates of origin in databases with the resulting decline in physical space requirements for file documentation;

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<sup>2</sup> Currently integrated by Brunei, Chile, New Zealand, and Singapore, and under consideration of possible expansion by incorporation to the group by Australia, U.S.A., Peru, and Vietnam.

- e) Facilitation of verification activities, streamlining the work of verifiers and reducing process costs for companies verified;
  - f) Essential complement to any single-window of electronic customs clearance to be established.
- 3.4 Through the support of other technical cooperation activities, the Integration and Trade Sector of the IDB has undertaken pioneering work in the region that has allowed it to contribute the establishing of the first digital electronic certification of origin between Chile and Colombia. In addition, from this successful program the Bank has received requests from various countries, including ALADI<sup>3</sup>, MERCOSUR, and the Pacific Rim in implementing the digital electronic certification of origin system.
- 3.5 Among other highlights the applications made by the Ministers of Foreign Trade and Foreign Affairs of the eleven countries of the Pacific Rim, at its meeting on the 23<sup>rd</sup> to 25<sup>th</sup> of November, 2009 held in Puerto Vallarta, Mexico, in which they requested support from the IDB to implement digital certification of origin in their regional trading agreements and an SME Portal (see statement of Ministers - Annex I). Also, the ALADI Secretariat has requested technical support from the IDB in the same line of work
- 3.6 Additionally, the Integration and Trade Sector of the IDB is recognized in the region as a unit with extensive experience and ability to disseminate knowledge on origin. For this reason, the Sector often receives requests for capacity trainings on origin from government officials as well as exporters and importers.
- 3.7 This TC anticipates five components:
- a. A case study of the Korean experience with administration of trade agreements and trade facilitation;
  - b. Further development and expanded implementation of digital electronic certification of origin;
  - c. Development of data analysis tools to facilitate negotiations of convergence agreements, and of tools for risk analysis in verification of origin declarations;
  - d. Support for feasibility studies of an internet portal for small and medium sized enterprises in the Pacific Rim countries, as requested by the ministers in their declaration at Puerto Vallarta; and
  - e. Development of a training course on Rules of Origin in preferential trade agreements, as well as other topics related to the tracing of materials in international trade such as the CITES and the BASEL convention. The course will be based on an Internet platform to facilitate and reduce the costs of dissemination.

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<sup>3</sup> Integrated by Mexico, Venezuela, Colombia, Ecuador, Peru, Paraguay, Brazil, Bolivia, Chile, Argentina, and Uruguay.

#### IV. BUDGET

- 4.1 The project has a total cost of US\$350,000. The following is the allocation of resources by budget category:

Categories of Investment (US\$) KPK	KPK
1) Case Study on Korea- International Consultant (4 months x \$4,000) \$16,000 - Travel to Korea and various city/ports within \$5,000 - Travel to two countries in Latin America (2 x \$2,000) \$4,000	25,000
2) Digital Origin Certificate - Meetings of countries to implement the certification of origin \$40,000 - Consultant of origin expert on digital certification (5 months x \$7000) \$35,000 - Computing Consultant (1 month x \$4,000) \$4,000 - Equipment to customs \$30,000	114,000
3) Analysis of convergence processes and risk of origin - A consultant expert in origin regimes and convergence of trade agreements (6 months x \$ 7000) \$42,000 - A programming consultant (7 months x \$4,000) \$28,000 - Dissemination in the region (\$15,000)	85,000
4) Support Portal for Pacific Rim SMEs	25,000
5) On-Line Course on Rules of Origin - Consultants/Presenters for design and preparation of content and course materials (10 months x \$7,000) \$70,000 - Programmer/Development for Internet (2.5 months x \$4,000) \$10,000 - Dissemination in the region (\$15,000)	95,000
6) Contingencies	6,000
<b>TOTAL US\$</b>	<b>350,000</b>

#### V. EXECUTION AND RESPONSIBILITY IN THE BANK

- 5.1 The project will be under the technical responsibility of the Integration and Trade Sector (INT), especially directly from INT management, which will monitor and evaluate the progress of the technical cooperation, based on the agreed detailed work plan and deliverables. The selection of consultants will be carried according to the GN-2350-7. "Policies for Selection and Contracting of Consultants Financed by the IDB". INT will oversee the quality of the outcomes by providing feedback to the hired consultants as the draft and final products are delivered.

## VI. MAJOR ISSUES

- 6.1 The major issues in this TC involve the coordination with governments regarding the implementation of electronic origin certification systems, the analytical needs for convergence negotiations, and the demand for the SME portal. There is clearly a niche to be filled with the proposed origin training course, especially a course with reduced dissemination costs based on an internet platform.

## VII. ACTION PLAN

- 7.1 The TC will be executed in 30 months and disbursed in 36 months. Based on the activities described in section III, five major actions form part of the present initiative:

Activity	Month	Deliverable
Case Study of Korean Trade Facilitation	1-6	Case Study report and presentations.
Electronic Certification of Origin	1-18	Implementation of digital electronic certification of origin systems in place in additional bilateral preferential trade relationships
Convergence Analysis and Risk Analysis Tools	1-30	Software tools, operating on INT databases or databases defined with negotiators and agreement administrators, incorporating feedback from users.
SME Portal Support	3-15	Feasibility Study Report
Rules of Origin Training Course	6-30	Course materials, website, and pilot presentations.

## VIII. SOCIAL AND ENVIRONMENTAL STRATEGY

- 8.1 The TC will not generate social or environmental impacts, since it will consist of studies and strategy development. This Technical Cooperation was classified with “C”, no environmental assessment studies or consultations are required for this Category.

## IX. APPROVAL

Firmado Rodrigo Salas  
en ausencia de Manager

25 de junio 2010

Antoni Estevadeordal  
Manager, INT/INT

Date