



**USAID** | **FACILITANDO COMERCIO**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMERICA

# **Quarterly Progress Report**

## **Peru and Andean Trade Capacity Building Program: USAID/Facilitando Comercio**

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# **Quarterly Progress Report**

Peru and Andean Trade Capacity Building  
Program: USAID/Facilitando Comercio

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## Contents

I.	Introduction	5
II.	Progress in Start-up Activities	6
III.	Progress in the Project's Components	111
	Component 1: Labor	111
	Component 2: Intellectual Property	122
	Component 3: Trade Facilitation	133
	Component 4: Administrative Simplification	155
	Component 5: Medicines	155
	Component 6: Telecommunications	166

## I. Introduction

The USAID/Facilitando Comercio project aims to contribute to Andean countries' efforts to formalize their economies, simplify regulatory procedures, and become more competitive so that more people can reap the benefits of open trade. The project will implement technical assistance activities in all four Andean countries Peru, Colombia, Ecuador, and Bolivia over a three year base period.<sup>1</sup>

However, the trade policy environment differs across all four countries, requiring the project to tailor its approach to maximize impact under the context of each individual country. For example, Perú has a signed Trade Promotion Agreement (TPA) with the United States and Colombia has a pending TPA awaiting ratification by the US Congress, while poor trade policy relations with Bolivia and Ecuador make it difficult to work with the public sector.

In addition, important political events are taking place in the region. In Ecuador, Rafael Correa was reelected in 2009, thus extending his mandate for four more years. In Colombia, Juan Manuel Santos began his four year term on August 8. In the case of Perú, municipal and regional elections are expected in October 2010, general elections will be held in April 2011, and a change of Cabinet – expected to be the last in this term - took place in September. These policy and political events have influenced the scope and timing of USAID/Facilitando Comercio's implementation and work planning during its first quarter of operations.

USAID /Facilitando Comercio started operations in June 2010. During its first quarter activities have focused on project start-up and initial deliverables required under the task order– transitioning in long term staff, putting in place operational procedures for the project, identifying and validating technical assistance (TA) activities, and preparing the Performance Monitoring Plan (PMP). In the case of Peru, the work plan was finalized and implementation of TA began in August. Initial work planning also began in Colombia and Ecuador. Part II of this report describe our start up activities, while Part III provides detail on the status of individual technical assistance projects for Peru under each of USAID/Facilitando Comercio's six technical components.

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<sup>1</sup> At the time of this writing, project implementation in Bolivia has been postponed due to the political environment. USAID/Peru will indicate when the project can begin operations in Bolivia.

## II. Progress in Start-up Activities

### Orientation Conference and Coordination Meetings with USAID

On June 17, the Post-Award Orientation Meeting was held with USAID/Peru, in which general and specific award information and implementation issues were discussed. Afterwards, coordination meetings were held with USAID / Peru's Contracting Officer, the Contracting Officer Technical Representative (COTR), the Communication Specialist and the EGE Monitoring and Evaluation Specialist. Initial program meetings were also held with the economic growth officers of USAID/Ecuador and USAID/Colombia to discuss the regional program's assistance in those countries.<sup>2</sup>

To establish solid communication between USAID/Facilitando Comercio and USAID, the project will put into practice the following practices:

- Coordination meetings with USAID/Peru's COTR every Wednesday at 4pm;
- Country coordinators in Colombia and Ecuador that will serve as the point of contacts for USAID/Colombia and Ecuador, respectively<sup>3</sup>; and
- A preliminary review and approval process of all regional activities and consultants by the respective USAID bilateral missions prior to requesting USAID/Peru approval.

### Meetings with Counterparts

Since the inception of the project, several meetings have been held with potential stakeholders from the Governments of Peru, Colombia and Ecuador. Initial meetings were held to validate activities for the 2010 - 2011 Work Plan, followed by subsequent meetings to establish coordination processes and begin implementation. As a result, a work plan for Peru was submitted to USAID/Peru in mid July and trip reports for Ecuador and Colombia provided an outline for formal work plans to follow.

In Perú working relationships have been established with Mincetur, the Ministry of Labor, the Ministry of Economics and Finance, Customs, Indecopi, National Competitiveness Council, Public Management Secretariat, Digemid and the Judiciary. A meeting with Osipitel officials is expected to take place in September.

In Colombia stakeholder meetings were held with the Superintendence of Industry and Commerce (SIC), Colombia's intellectual property authority, which will be the main

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<sup>2</sup> USAID/Facilitando Comercio anticipates establishing a country coordinator in Bolivia once the project is given clearance by USAID/Peru to begin operating in the country.

counterpart for the project; Colombia's Antipiracy Convention; Colombia's Copyright Office; the Artesanías de Colombia, a government organization dedicated to working with the artisan community to promote their goods; Colciencias, a government agency responsible for promoting R&D and innovation in Colombia; the Colombo-American Chamber of Commerce; and Microsoft to explore public-private partnership opportunities.

In Ecuador, the project is currently identifying the main stakeholders. Initial meetings have been held with the Chamber of Industry in Quito, Chamber of Commerce in Guayaquil, the Ministry of Industries and Productivity (MIPRO), the Ecuadorian Committee for Economic Development of the Territories (CEDET), the Agency for Provincial Economic Development of the Territories (ADET), AMCHAM-Ecuador, and Fedexpor, the Ecuadorian Federation for Exporters.

#### Team Conformation and Training

In the first quarter of operations the entire proposed technical team joined the project full-time. The administrative support team is also on board and nearly fully staffed. The project will complete its recruitment in the second quarter with one more support position as more technical activities get underway.

In mid-August, an intense training of contracts, financial and accounting rules, regulations, and procedures was held in Lima with the participation of all the technical and administrative staff based in Lima, the coordinators of Ecuador and Colombia, and Nathan Home Office representatives: Managing Director, Coordinator, Director of Contracts and Project Accountant. Project coordination between the Lima based office, the regional activities, and Nathan's Home Office was also discussed extensively to ensure fluid communication and harmonization between bilateral and regional programs.

#### Gender and Ethnic Strategy

In order to better incorporate gender and ethnic considerations in the project activities, subcontractor dTS fielded an international specialist on gender and minority issues, Peter Davis, in early July. Mr. Davis drafted a Strategy Report, which establishes guiding principles that the project should follow to address gender issues and considerations of disadvantaged groups under the various planned components. The report includes a set of recommendations on the application of the principles to the activities contemplated for Year 1. Mr. Davis also provided the project with an Indicators Report, which provides a menu of possible gender and minority group indicators for the different activities in Year 1. Many of the suggested indicators have been considered in the PMP.

### Value-Added Tax (VAT) Recovery

To be eligible for VAT recovery, an Operational Plan for the project was prepared following the Peruvian International Cooperation Agency's (APCI) guidelines. The Plan was submitted by USAID to APCI in late July. Accordingly, USAID issued letter 195/2010 authorizing the project to use USAID's tax-id for all project related expenditures in Peru.

### Work Plan 2010 – 2011

A work plan for activities in Peru for the first 12 months of operations (June 2010-May 2011) was developed and approved by USAID in August. The work plan establishes core principles that will guide the project's implementation efforts; details activities to be carried out in Year 1 (including all which are considered mandatory under the task order and have been prioritized by government counterparts); and, lists expected results and indicators to measure impact. The plan also contains operational start-up initiatives and a budget for the implementation of technical activities.

Work plans for the other Andean countries (Colombia and Ecuador) will be prepared separately and will be included as appendixes to the Peru work plan after the corresponding USAID bilateral mission and USAID/Peru approve proposed activities.

Under guidance from USAID/Ecuador, the project currently is identifying Year 1 work plan activities in the following areas:

- ISO and SPS certifications for the private sector
- Certifications for tourism operators
- National macro administrative simplification law implementation

In the case of Colombia, the project recently submitted its work plan for review by USAID/Colombia. Proposed activities focus on three key areas of IPR: administration, private sector outreach, and enforcement.

### Baseline Study

In order to measure the Program's impact, the project carried out a rapid baseline study to quantify the current state of key indicators for the six technical components in Peru. The findings helped to set targets for the project's interventions, which are reflected in the PMP. More-in-depth baseline studies will be developed for some of the project's components, such as Labor, Trade Facilitation, and Administrative Simplification.

### Performance Monitoring Plan (PMP)

The PMP is the project's tool to monitor, evaluate and report the progress being made throughout the period of performance. The key elements of the PMP are the Results Framework and the Logical Framework; the first one has been designed to select key indicators to measure the Intermediate Results and Impacts of the Program, while the second has been designed to describe the logic of the intervention, identifying indicators for measuring outputs in each component and their activities. The PMP was submitted for review by USAID/Peru in September.

### Weekly Reports

To keep USAID informed of the project's weekly activities, a summary report was developed for delivery to USAID at the beginning of each week. The report includes undertakings under all six components in Peru, activities in Colombia and Ecuador, and Communications and Administrative tasks. The first weekly report was submitted for the week of August 23<sup>rd</sup>.

### Branding Strategy and Marking Plan

The preliminary Branding Strategy and Marking Plan presented in DNG's Proposal was updated and submitted to USAID, and later approved. The main change to the plan was the replacement of the project name. The task order identifies the project as the "Peru and Andean Trade Capacity Building (PATCB)" program, which will be used as the English name for the project. The Spanish name, and what will be used for branding is: USAID/Facilitando Comercio. The use of this name has already been reserved in the Internet for the project website, and email accounts have been created with the extension "@facilitandocomercio.com".

### Project Subcontractors

After a series of internal procedures USAID granted approval of all the proposed subcontractors, which include three local partners - Grade, Apoyo Consultoría and Fahsbender, and one US-based firm, dTs. USAID/Facilitando Comercio has begun to engage its implementing partners. The project's communication specialists, working under Apoyo, has joined the team full-time; GRADE has started a labor market analysis; Fahsbender Consulting is coordinating the update of TRAMIFACIL under the Administrative Simplification component; and, as noted previously, dTs has submitted their finalized gender strategy report. The project will have many other ongoing activities with its subcontract partners.

### Permanent Office Space

After evaluating many possibilities, the project has signed a preliminary agreement to rent an office in a building on Calle Los Tulipanes, in the district of Surco. The lease agreement is expected to be signed in September, once the building is approved by the National Institute for Civil Defense. In the meantime, the project is preparing all the required documentation for occupying and furnishing the office. A waiver for buying furniture locally will be requested from USAID.

### Equipment Purchase

After conducting a bid analysis, the project procured Dell computers and Microsoft and McAfee software for use in the local office for the duration of the contract. Three competitive bids from Peruvian vendors in line with the task order's Geographic Code 000 were received, and Grupo Leafar SAC was chosen based on price and quality. A memo with detailed information on the purchase was submitted to the project's COTR.

### Establishing Alliances

USAID/Facilitando Comercio has started to hold meetings with other USAID projects, private sector institutions, and other donor initiatives to present the project's scope, learn of other initiatives and establish possibilities for leveraging efforts.

In the first quarter, meetings were held with USAID/ProDescentralización, USAID/PRA and Solidarity Center. The Project has agreed with USAID/ProDescentralización to collaborate on an evaluation of the municipal operation license (more details are presented the technical implementation section). With Solidarity Center a fluid communication has been established and future labor activities will be conducted in a coordinated manner, especially those involving the Ministry of Labor and those regarding protocols.

The project also held meetings with the Society of Foreign Trade of Peru (COMEX), Association of exporters (ADEX), and the American Chamber of Commerce (Amcham). It has programmed meetings for September with the Inter-American Development Bank (IADB) and the International Finance Corporation (IFC). Finally, the project has also coordinated with USAID's APEC Facility project to identify areas of mutual interest and leverage.

### III. Technical Implementation

The implementation of activities in Peru started in August 2010 and is expected to begin on/about October 2010 for Colombia and November 2010 for Ecuador. The following is a summary of technical activity implementation for Peru.

#### **Component 1: Labor**

##### Activity 1.1: Develop Guidelines and Training Material for Inspectors

A work group has been formed to define the ToR regarding the prioritization of protocols. A team of consultants and a working methodology have already been defined.

##### Activity 1.2: Implement Ministry of Labor's (MoL) General Training Plan

The MoL has designated the technical counterparts that will be in charge of the activity, and is preparing an initial work plan. The Ministry of Justice (Minjus) has requested support to consider public attorneys as part of the beneficiaries.

##### Activity 1.4: Integrate MoL's Information System

The scope of the activity is being defined with the MoL's designated team. (The IADB is working on an activity that might be complementary to ours). The preliminary ToRs to characterize the labor market and key indicators; and to systematize the information of inspections have already been formulated.

##### Activity 1.5: Improve Tracking of Labor Dispute Processes

MoL and Minjus have designated points of contact to discuss this activity.

##### Activity 1.6: Support the implementation of the Labor Procedural Law

It's been agreed with the Judiciary to carry out a training process for judges and justice auxiliaries involved in the implementation of the new Law. The ToR has already been approved for that activity and the first training has taken place in Tacna.

##### Activity 1.7: Support in the definition and implementation of policies against labor discrimination

The MoL, which is also supported by the United Nations Population Fund, has requested assistance to define public policies oriented towards the disabled, ethnic groups and women. It is necessary to complement efforts with the government and other donors. A work group has been formed.

## Component 2: Intellectual Property

### Activity 2.1: Implementation of PTPA IP Chapter

The Project had proposed to assist the Copyrights Unit of INDECOPI with the drafting of the law on Limitations on Liability of Service Providers as the first activity in this component. However, the Director of the Copyrights Unit of INDECOPI, Martin Moscoso, informed the project that they have already begun drafting the law. Meetings with Peru's major Internet Service Providers (ISPs) in order to listen to their doubts and opinions on the subjects are pending. Consequently, the project will now assist INDECOPI in carrying out a three hour workshop with an international copyrights expert who will provide an overview to the ISPs and the Copyrights Office on how this law is currently being applied in the United States. In coordination with the US Department of State and USAID, the project will use an international copyrights consultant, previously identified by the Department of State, to conduct the workshop, which will take place on October 13th.

### Activity 2.2: Information Management System Improvement

The Project has three sub-activities in process:

- a. *Digitalization of the Certificates of Registration and generation of electronic entries for the Distinctive Signs Unit*

Although initially the project had only considered helping the Distinctive Signs Unit with the digitalization of the certificates and generation of electronic entries, a broader activity that includes modules for the online attention of requests by internal examiners and external users (general public, police department, judges, etc) is now being designed. This activity will directly contribute to improving examination times.

- b. *Automation of the filing system and examination process by the Inventions and New Technologies Unit*

The Inventions and New Technologies Unit has a very ambitious plan to improve the quality and timing of its examination processes and attention to the public. Meetings with this Unit have been held and others are scheduled for the current quarter in order to define the scope of the project's cooperation. Priority will be given to the interconnection between the Inventions and New Technologies Patent Data Base and the Peruvian General Office of Medicines, Supplies and Drugs (DIGEMID), which is in charge of the evaluation and authorization of sanitary registries and sanitary surveillance in the Country.

- c. *Automation of the filing system of the Copyrights Unit*

Martin Moscoso, Director of INDECOPI's Copyrights Unit, has expressed an interest in replicating the US Copyrights Office systems and software for online filing. The project is coordinating with USAID/PERU to assess the possibility of having one officer from the Peruvian Copyrights Unit travel to the US Copyrights Office in order to learn about their registration system.

### Activity 2.3: Improving Technical Examinations

One sub-activity is in process: Updating the Andean Processing Manual for patent examiners.

The project is discussing with Sergio Rodriguez, Deputy Director of the Inventions and New Technologies Unit, the best way to approach the Andean community countries to begin coordinating the evaluation of the manual and the identification of the technical matters that need to be updated or improved.

### Activity 2.5: Raise awareness of the importance and benefits of Intellectual Property

One sub-activity is in process:

a. *Online course on trademarks for INDECOPÍ's Academy of Competition and Intellectual Property*

A meeting with Gonzalo Ruiz, Director of the Academy of Competition and Intellectual Property, our IT expert and the component coordinator was held to define the scope of the project's cooperation. INDECOPÍ has asked for our cooperation in the implementation of the virtual platform that will support the online course. The project has identified three possible service providers for this activity.

## **Component 3: Trade Facilitation**

### Activity 3.1: Establish baseline for Customs Operations

a. *Assessment of Customs based on PTPA and Customs Code using TCBaseline.*

USAID's TCbaseline tool was submitted to trade-related authorities, including Customs for their consideration. Additionally, the Ministry of Economy and Finance, the Ministry of Foreign Trade (MINCETUR), and National Council of Competitiveness (NCC) have been made aware of the scope of the assessment. Customs has requested that the assessment consider the current transitional state of procedures, given that the quick release system will be fully implemented in October. The assessment will be done by a three-member team, led by an American customs specialist, Bill Smith. The final report is expected in mid-November.

### Activity 3.2: Dissemination of Quick Release System Benefits

a. *Develop Dissemination Strategy*

This is intended to build a comprehensive plan that will effectively communicate the benefits of the quick release procedures. Customs currently is developing the basis of the strategy, which will be discussed with the project to define the full scope of the task. This activity is expected to begin in November.

b. *TCbaseline awareness workshops in 10 Peruvian cities*

This training activity is conceived as part of the Dissemination Strategy to be developed. The cities have yet to be selected, although the criteria for selection are currently under review by MINCETUR and Customs.

Activity 3.3: Simplify Import Related Procedures

a. *Mapping and reengineering of 82 procedures.*

The objective is to propose reforms to those procedures included in the Single Window for Foreign Trade (VUCE). Based on discussions with public authorities, it was decided a pilot assessment of 20 trade-related procedures (single entity criteria) would be done for DIGESA, the environmental health bureau), and 5 more procedures for SENASA, the agricultural health bureau. The technical assessment is in progress and will then be followed by a legal assessment. This pilot will then serve as a template for the other VUCE entities.

b. *Single Window (SW) training in controlled products*

Training on SW for trade operators has solely been focused in Lima and now the characteristics and benefits of SW need to be disseminated in other cities. Criteria to select ten cities are still under analysis by Mincetur.

Activity 3.4: Facilitate Creation of a Surety System

a. *Analysis of current process by assessing source of delays and proposals from private sector.*

A Surety System is a key piece for the adequate operation of the quick release system. According to preliminary meetings with Customs, there are few proposals for a Surety System. Mincetur has shared a recent study funded by IADB featuring US Custom Bonds. Currently, the project is evaluating the scope of work based on the information gathered.

Activity 3.5: Support creation of Authorized Economic Operators (AEO)

a. *Publish AEO handbook to officials*

The Spanish version of the AEO handbook has been updated. It is currently being printed and will be distributed to private sector representatives and public officials who will take part in the workshops.

b. *AEO handbook workshop for customs and other international trade officials*

Along with the IADB, two workshops will be carried out the 3<sup>rd</sup> week of September. One will be directed at the private sector and the other will be for public sector officials. A USAID/Facilitando Comercio consultant will present the handbook and will evaluate the current status of the AEO program in Peru. The workshops are expected to contribute to the establishment of a public-private committee for AEO.

c. *AEO implementation strategy*

Part of the work involved in the workshops mentioned above will serve to establish a baseline on the implementation of an AEO program led by the Customs authority and supported by the special AEO committee.

## **Component 4: Administrative Simplification**

### Activity 4.1: Conduct Baseline Study on Municipal Regulation of Business Operations

The objective of this activity is to have an investigative study that enables the analysis and evaluation of local governments' regulations regarding business operations.

It is important to state that the present activity is being developed in coordination with USAID/ProDescentralización, which will be in charge of executing a rapid field assessment based on an exploratory study.

Preliminary TORs are being reviewed by the National Competitiveness Council. To accompany the evaluation process, a Consultative Group of specialized institutions will be formed.

### Activity 4.2: Consolidate information and products developed for administrative simplification

The main objective of this activity is to compile all the administrative simplification products that have been developed and post them to the TRAMIFACIL web page. The goal is to create a useful, "one stop" tool for public officers, especially at the municipal level.

The main partner to perform this activity is the Public Management Secretariat of the Presidency of the Council of Ministers (PMS-PCM). An initial meeting to introduce the activity and coordinate efforts has been held.

The TORs for this activity have been drafted and the Fahsbender Consulting team will be executing the work.

## **Component 5: Medicines**

### Activity 5.2: Improve DIGEMID's MIS and Improve Coordination with INDECOPI

The Project has three sub-activities in process:

*a. Evaluation of the legal value and correct storage of DIGEMID's digitalized information*

An Informatics Notary is currently visiting the installations of DIGEMID to determine if all the information that has been digitalized is properly stored and has legal value in order to continue with the second proposed sub-activity listed below.

*b. Management of the digitalized information into the SIDIGEMID system*

The project has identified three consultants for organizing the digitalized information in DIGEMID's system.

c. *Automation of the processes related to sanitary registrations by DIGEMID*

The project's IT specialist is holding a number of meetings with DIGEMID's IT team to identify DIGEMID's needs before defining the scope of the project's intervention in the automation of their processes.

Priority is been given to defining a strategy that will interconnect DIGEMID's database with Indecopi's patent database.

## **Component 6: Telecommunications**

Telecom tasks are being coordinated with Nathan Associates' expert Bruno Viani, who will travel to Lima in October to discuss with public entities the technical assistance that can be provided regarding telecom regulation.

### Activity 6.2: Training/mentoring on the economics of telecom regulation

US experts will provide in-house training and mentoring to OSIPTEL's staff, primarily economists and market analysts on the implementation of regulations. The project plans to bring three experts, each visiting for a period of three continuous weeks. The Project proposes to bring the first expert during the last quarter of 2010, the second in the first quarter of 2011 and the third during the second quarter of 2011. The experts will be housed in OSIPTEL and will be provided with office space to perform their work during their stay.