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CAFTA-DR Regional Trade Program

Work Plan for Calendar Year 2008

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LIST OF ACRONYMS

CAFTA-DR	Central America and the Dominican Republic Free Trade Agreement
CA	Central America
CAT	Customs Advisory Team
CRT	CAFTA Regional Trade
CTO	Cognizant technical officer
DR	Dominican Republic
FO	Field Office
IR	Intermediate Result
KRA	Key Results Area
MOU	Memorandum of Understanding
PIR	Program Intermediate Result
PMP	Performance Management Plan
PMU	Project Management Unit
RF	Results Framework
ROO	Rules of Origin
SIECA	<i>Secretaría de Integración Económica Centroamericana</i>
SO	Strategic Objective
TAT	Trade Advisory Team
TCB	Trade Capacity Building Committee
USAID	United States Agency for International Development
USAID/E-CAM	United States Agency for International Development's Regional Program for Central America and Mexico
WCO	World Customs Organization

I. INTRODUCTION

A. Context

Over the last decade, the capacity of Central American (CA) countries and the Dominican Republic (DR) to formulate and negotiate modern trade agreements has increased in both quantitative and qualitative terms. Much of this enhanced capability can be traced directly to technical assistance (TA) programs, including those funded by the United States Agency for International Development (USAID). As a consequence, CA and the DR have successfully concluded a major trade agreement with the United States (US) – the CAFTA-DR Free Trade Agreement – that sets the stage for accelerated economic development of the region.

Two things are now necessary for the promise of CAFTA-DR to be realized. The first requires changes in and by the private sector, so that it can take full advantage of the agreement. The second requires that CAFTA-DR governments implement the provisions of the agreement in an effective and efficient manner. The CAFTA-DR Regional Trade Program (CRT) is an initiative, financed by the USAID Regional Program (USAID/E-CAM), which is designed to support El Salvador, Honduras, Nicaragua, Guatemala, Costa Rica and the DR in responding to this dual challenge.

Despite undertaking activities at the national-level, the CRT Program is fundamentally a regional initiative. Why should this be the case? When one reviews recent development in the region, it is clear that at the national-level most countries have made significant movement in stimulating greater trade flows. However, it is also evident that the countries as a region are not moving at the same pace or as a block. Why should this be a reason for concern? For one simple reason: the attractiveness of the region and its 30 million potential consumers to the rest of the world is not generally found at the national level, but rather as a harmonized trading block. Thus, the CRT Program is tasked to deliver at both the sub-regional level and the regional one, not as a whim of USAID but as a result of fundamental underlying trade logic that one dismisses at some peril. That said, the collaboration and permanent coordination of activities with the Central American Secretariat for Economic Integration (known as SIECA by its Spanish acronym) is critical for the successful implementation of such regional initiatives.

B. Program Description

The CRT Program is managed by a consortium led by Chemonics International Inc. in partnership with The Center for Trade, Policy and Law (CTPL), The Services Group (TSG), The International Intellectual Property Institute (IIPI), and the specialized information technology company, Evolver. Under the terms of the program, the consortium will help individual CAFTA-DR countries to meet their obligations arising from the terms of the treaty by their specified deadlines. At the national level, the work will focus on four areas:

- The successful implementation of the Rules of Origin (ROO) procedures outlined in Chapter 4.
- Meeting the customs requirements specified in Chapter 5.
- Providing complementary TA within the framework of the countries' national action plans for trade capacity building, or activities coordinated through the Trade Capacity Building Committee (TCB) mechanism.
- The move towards the adoption and/or compliance with the terms of three international conventions and agreements: a) The Inter-American Convention on Legal Regime of

Powers to Be Used Abroad; b) The Inter-American Rules on Electronic Documents and Signatures; and c) The Hague Convention Abolishing the Requirement of Legislation of Foreign Public Documents¹.

The contract was signed between USAID and the contractor on the December 1, 2006, and began operating from its base in El Salvador on January 26, 2007. The program has an expected duration of thirty one months with an anticipated end date of June 30, 2009, and a budget of US\$ 5.65 million.

C. Expected Results

The CAFTA-DR CRT initiative is an important part of the USAID/E-CAM Program that contributes to meeting the goals outlined in the Regional Program Results Framework. More specifically, it will support USAID/E-CAM in meeting both its Strategic Objective (SO) 2 and Intermediate Result (IR) 1. Logically, the achievement of the CRT program goal is premised on the successful completion of a range of activities organized in four interrelated components. In order to more easily understand the expected impact under components 1 and 2, the contractor (in accord with its normal corporate practice) has grouped activities into four Key Results Areas (KRAs); two under each of these components.

The specification of these objectives at the USAID Regional Program and the CAFTA-DR CRT levels, and the hierarchical relationship between them is outlined in Figure 1. The CRT program results framework is a planning, communications, and management tool. It conveys the development hypothesis implicit in our project goal, and objectives as well as the cause-effect relationships between key result areas (KRA) and project objectives. Hence the results framework provides a foundation for work-planning, and performance monitoring.

D. Second-Year Work Plan

In accordance with the terms of its contract with USAID, Chemonics International Inc. and its partners presented their first-year work plan in February of 2007. An updated work plan of activities for 2007 was presented on September 30, 2007.

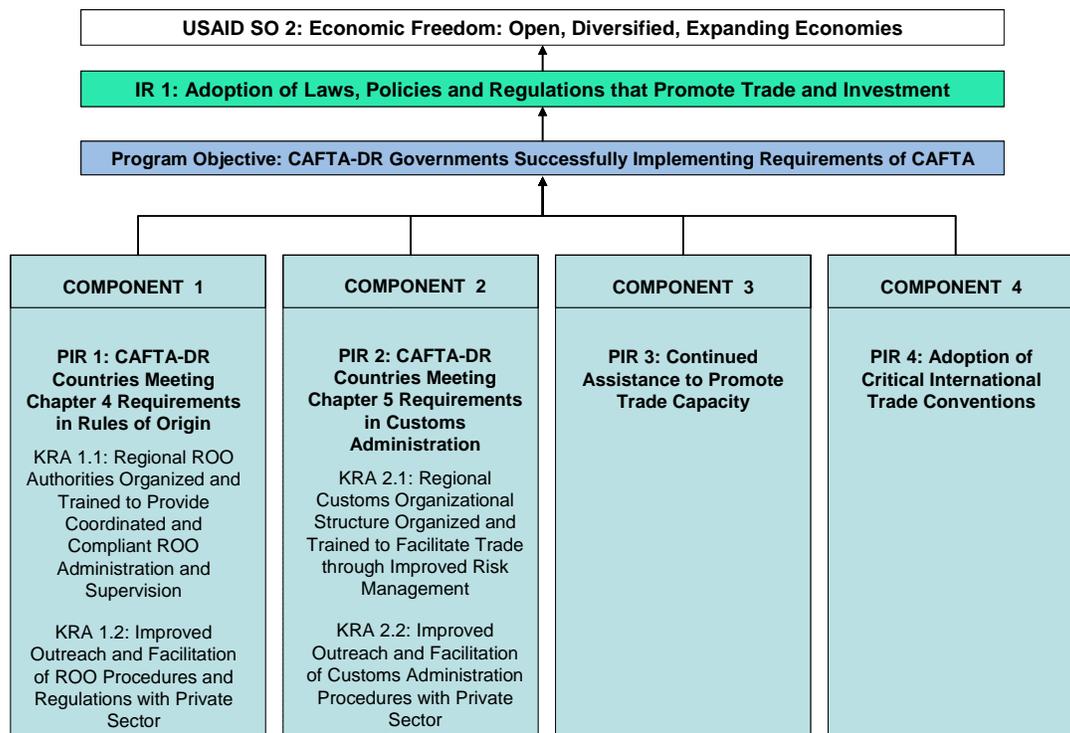
The activities developed for 2008 include the results of a Gap Assessment² exercise which was conducted and presented in the latter part of 2007. The detailed work plan of activities for 2008 is presented in the Annex. Overall, the general and country-specific activities reflect the strategic focus of the program and have been designed to meet the requirements of each individual member country in all four program components.

The 2008 work plan reaffirms the CRT Program Results framework as follows

¹ The first of these has been ratified by all countries except Nicaragua, while only El Salvador has complied with the latter. It should also be noted that ratification of these agreements will have no direct implication for CAFTA-DR compliance *per se*, although they may generate other benefits for individual countries or the region as a whole. As such, the CRT program will endeavor to build broad consensus for adoption, accepting that any final decision to adopt is a governmental one that is outside of the control of the program.

² *Evaluación del Grado de Implementación de los Capítulos 4 y 5 del CAFTA-DR*. Prepared by the CRT Program. December 2007.

Figure 1 - CRT Program Results Framework



E. Organization of the Document

For ease of presentation and coherence, this document is organized into the following three sections: (i) an introduction that provides the context and overview of the program; (ii) the program’s organizational and management structure; and (iii) the strategic focus for the program and an overview of the main activities to be undertaken in the second year. The narrative text is supported where necessary by figures and tables. In particular, the second-year activity table – that constitutes the operational “heart” of the CRT – is included. This has been designed on the basis of the contractor’s successful experience in similar projects elsewhere in the region, in response to USAID’s own operational mandate that its operations are both efficient and effective, and in a manner which maximizes available resources. This document offers the client a simple instrument for quickly scanning the range of activities across the entire program, providing solutions to correct existing gaps in the implementation of the CAFTA-DR, as well as linking said activities to quantifiable impact. In addition, it underpins the presentation of a leaner work plan document that focuses on the essentials, without excessive text, and thus becomes a fundamental monitoring and quality assurance tool in its own right.³

³ This work plan document draws upon information found in both the original technical proposal as well as Section C of the contract, and does not seek to duplicate this here.

II. ORGANIZATION AND MANAGEMENT

A. Overview

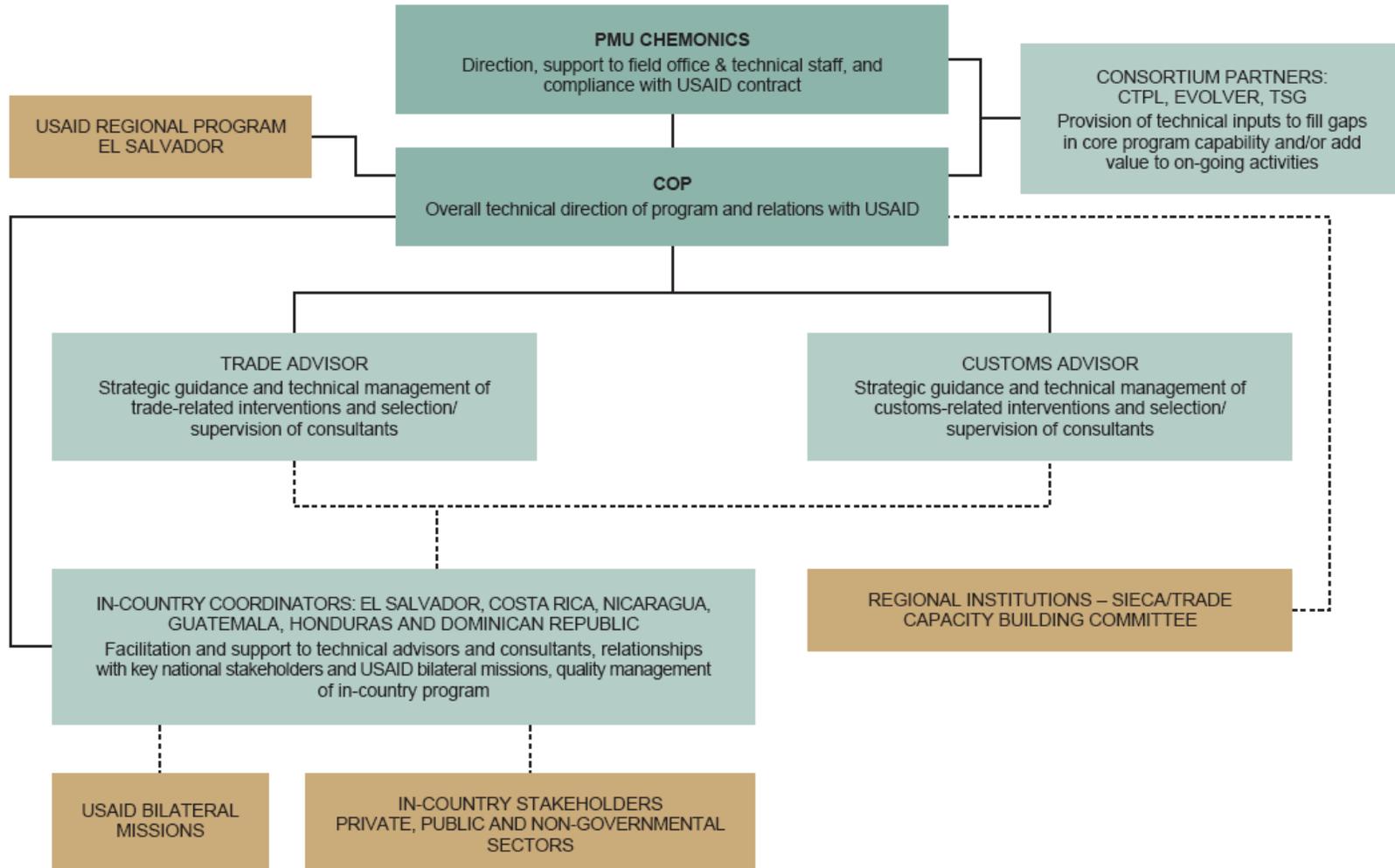
The organizational challenges of an initiative that combines core technical functions (in this case, customs strengthening and modernization, and trade development) with a broad geographical distribution (with activities being implemented in six separate countries, and also regionally) lend themselves to classic matrix management solutions. This is understandable and theoretically coherent, but it is frequently difficult to operate in practice. In general, matrix management works better in mature organizational settings where employees have a good idea of the institutional context in which they work, the rules of the game and clear expectations as to their goals, typically developed over many years.

Unfortunately, development projects reflect few of these characteristics. They are normally “short-term” and somewhat provisional in nature, made up of teams whose members are hastily brought together with little time to develop any great sense of organizational coherence before being asked to implement an often ambitious set of activities. Under these circumstances, the realistic objective during start-up – and what could be viewed as something akin to an operational “safety net” - is to ensure that team members have at least a clear idea of their roles and responsibilities, and a coherent functional structure in which to operate. The work planning exercise provided an opportunity to go a significant way to achieving this.

B. Organization and key functions

The organizational structure of the CAFTA-DR CRT is presented in Figure 2 below. In order to clarify roles in different functional areas, brief descriptions of professional responsibilities are included. Those text boxes shaded in green/blue indicate core elements of the CRT program, while those in brown reflect key stakeholders with whom it interacts. In addition, solid lines indicate direct managerial relationships, whereas dashed lines represent areas in which good communication and collaboration are necessary.

Figure 2. CAFTA-DR Regional Trade Program Organization Chart



To summarize, the Chief of Party (COP) is responsible for technical direction of the program, operating from the CRT office in El Salvador, and ensuring three things: (i) close communication and collaboration with USAID, (ii) supervision of in-country coordinators and the customs and trade advisors, and (iii) interaction with regional bodies, particularly SIECA.

The three-tiered Project Management Unit (PMU), which includes a Project Director, a Project Manager, and two Associates in Chemonics' home office, has the overall responsibility for ensuring that the program meets its contractual obligations. The PMU will ensure technical resources for successful project implementation are readily available, providing continuous administrative, managerial, and contractual backstopping, identifying and engaging consultants as soon as needs are identified, and managing relationships with all U.S. subcontractors. The PMU and the COP work jointly to interface with consortium partners.

The Customs and Trade Advisor Team Leaders will ensure the delivery of high-quality TA programs in their respective areas across the six countries in question, frequently undertaken by themselves or via the supervision of work undertaken by short-term consultants or consortium partners. The Customs Advisor is primarily responsible for Components 1 and 2, while the Trade Advisor for Components 3 and 4. Despite the responsibility for individual components, each technical advisor will be involved in all components due to the interconnections and overlap that exist between them. The In-Country Coordinators will work closely with these advisors and their consultants to guarantee the development of country-level programs that adequately meet the needs of the countries themselves (as expressed by both the public and private sectors) and which correspond to the mandate of the CRT and its resource capability. They will play a particularly critical role in relationship management with national stakeholders and USAID bilateral missions.

III. INTERVENTION STRATEGIES AND TECHNICAL ACTIVITIES

As has been stated from the outset, the CRT Program is complex and requires not only a solid conceptual and technical base to its work, but also to capitalize on its in-country presence to quickly evaluate a range of national contexts and develop activities that both respond to real demand and fall within the mandate and resource capacity of the program.⁴ With this in mind, the main technical body of the work plan is divided into the following sub-sections:

- A summary of the key elements of the proposed intervention strategy describes how the program will respond to the challenges as a whole. These are designed to provide overall coherence and initial structure.
- A brief introduction to the proposed second-year activities, supported by a detailed matrix. This will effectively become the basis for monitoring program performance in the second year.
- A series of short country descriptions that provide an initial introduction to the program's best current understanding of the "state of play" regarding customs capacity and trade preparedness.

Collectively, these three elements provide an overview of the entire intervention logic of the Program: (i) an initial definition of HOW trade development and customs capacity will be improved and made to comply with CAFTA-DR requirements, (ii) the key CHALLENGES to be tackled in each country, and (iii) a detailed outline of WHAT this will look like in terms of a coherent set of activities. These are described at greater length below.

A. Strategic Focus

One of the ironies of free trade agreements is that they are very costly to develop, support and implement. This arises from the effort that goes into drafting, negotiating and interpreting often complex terms and procedures, the enhanced levels of infrastructure, systems and skilled staff that are needed to swiftly expedite trade, and also because, if successful, these agreements significantly increase the volume of trade itself. Thus, while greater levels of international trade can bring significant social and economic benefits at a macro-level, at a more micro-level somebody has to pick up the check and actually do the work. Although the private sector bears some of this burden, it is the government that is faced with the most immediate challenges. And this is no small feat for the smaller nations of the CAFTA-DR.

Against this background, the CRT Program must decide how to most effectively use the USAID resources at its disposal to generate the greatest impact. Some of this involves good fortune and some, good design. In regard to the latter, the program has defined its initial intervention strategies in terms of its two main thematic thrusts: customs improvement and trade development.

A1. Customs Improvement and Conformity to CAFTA-DR Requirements

At its most basic level, trade is goods or services crossing borders, and this means: (i) understanding and following procedures defined in national-level legislation, and (ii)

⁴ While the program will work hard to ensure its activities meet demand, it is also important to clarify to national and regional stakeholders that under the terms of the contract, the range of instruments at its disposal is largely limited (other than a small allocation of funds earmarked for upgrading customs IT) to the provision of STTA for training, TA and outreach activities.

developing the physical and human resource capacity to do this quickly, effectively and transparently. Unfortunately, some trade-related procedures are still open to diverse interpretations (what you think that one particular clause means may differ significantly from somebody else's interpretation) and CAFTA-DR countries are to varying degrees constrained as to how much of the national budget can be invested in customs improvement. On top of all this, is the fact that customs reform *per se* is a complex issue and needs a certain level of diagnosis and analysis if proposed solutions are to be good ones. With this in mind, the CRT Program customs strategy is reflected in the following:

Information and analysis. Guaranteeing a good understanding of country-level customs capacity, and their level of compliance with the provisions of CAFTA-DR, is vital to sound diagnosis and sensible proposals. It is also critical to ensuring that a local perspective enters the analytical process from the start. This activity was completed by the end of the second quarter of the first year and specific country-level plans were developed and initially approved. In order to appropriately design and implement future CRT interventions, an in-depth analysis on the level of compliance with CAFTA-DR requirements was completed the last quarter of 2007. Said analysis was incorporated into the annual work plan for calendar year 2008. Additional regulatory assessments for Nicaragua, Guatemala and Costa Rica will be completed within Q1 2008.

Effective administration of ROO requirements. One of the greatest challenges to the effective implementation of CAFTA-DR's ROO requirements is how to structure Customs directorates in a way which reflects the Free Trade Agreement's regulations on ROO. With this objective in mind, CRT will assist requesting Customs directorates in the process of developing the organizational structure, procedures, operational and compliance guidelines to create effective Rules of Origin Units within Customs departments.

Easier understanding and management of Rules of Origin (ROO). From a user perspective, the key to benefiting CAFTA-DR is accessing it, and this in turn depends on being able to understand and use the rules of origin and origin procedures; not in a theoretical sense, but in a real, hands-on way that will permit the correct categorization of the final product and provide access to a preferential tariff. This being the case, the program proposed the piloting of a simple, web-based solution not only to accurately navigate the ROO procedures, but also to generate the ROO certificate electronically. If this program, otherwise known by its Spanish acronym as GEDOEL ("*Generador de Documentos Electronicos*"), were to work at a reasonable cost, and to be accepted by the CAFTA-DR countries as a legitimate trade practice, it would make major in-roads into one complex piece of the puzzle. In addition, CRT will work with partner organizations to set up a regional committee on ROO. Besides focusing on ROO issues and monitoring investigation cases, the regional committee may also supervise the administration and implementation of GEDOEL.

Workable risk management systems. Risk management is another element of good customs practice that goes to the heart of one of the most frequently expressed frustration by the trade community: how can I get my goods through customs as quickly, cheaply and painlessly as possible? Understandable concern, but the customs authority, particularly in a post-9/11 environment, is tasked with ensuring that everything is above board, correct dues are paid where necessary and in the worst case scenario, narcotics, contraband, illegal arms and the rest are not entering its territory unchecked. What to do? Good risk management – meaning that physical inspection of merchandise is targeted towards those areas where there is a higher probability of risk and where other low-risk goods pass quickly or unchecked – is a significant part of the answer. All countries already know this, yet putting into force requires not only political will (there are of course individuals who gain significantly from inefficient or discretionary/corrupt practices) but also a good understanding of international best practices,

some reorganization, and definitely better trained staff. The CRT Program will support this where feasible.

Developing a common language and set of expectations. As was mentioned earlier, customs reform is sometimes complex, particularly in the area of information technology (IT), norms and regulations (*normatividad*) and risk management. Even where IT offers quick solutions, particularly to reduce time associated with procedures, their implementation will be limited if those involved in the definition and applications of standards (particularly those with legislative implications) do not understand their relevance. This being the case, the program will form technical committees on IT, regulatory issues (*Informatica and Normatividad*) and risk management that will regularly meet to discuss pertinent issues and evaluate progress from their relative perspectives (and hopefully from a growing common perspective over time.) This is particularly important, since the CRT Program is investing a significant amount of effort in the IT area. As a cost-saving initiative and a way to maximize existing resources, the technical committees will be spearheaded primarily by the in-country Coordinators.

Implementation of more efficient Customs declaration procedures. One of the greatest benefits of CAFTA-DR for the business community is its emphasis on greater efficiency in Customs declaration procedures. The CRT program will work on a series of activities to promote more efficient Customs declaration procedures, including: (a) implementing electronic customs declarations; (b) adjusting customs declarations so that customs agents (and not customs officials) may carry out any required correction; (c) implementing Customs inspections post release of good; (d) developing systems which allow customs agents and other users to access customs declaration information over the internet; and (e) developing procedures on advance rulings for the importation of goods.

Fostering faster clearance of goods. The faster clearance of goods is another key CAFTA-DR benefit which may only be fully enjoyed by the beneficiaries if certain adjustments are implemented in the Customs departments. A key activity is the completion of phase 1 of the exercise which carries out a time-release survey of customs clearance procedures in CAFTA-DR countries using WCO methodology. The results of said activity will allow CRT to evaluate the level of implementation of the applicable CAFTA-DR requirements. Other related activities include: (a) developing and implementing the procedures for electronic submission via single manifest per shipment; (b) assisting customs agencies in drafting and adopting secure procedures to expedite clearance of express shipments; and (c) streamlining express shipment procedures specifically for the Dominican Republic, Honduras, Nicaragua and El Salvador.

Keeping everybody informed. In essence, most changes in attitudes or practice are premised on the basis of good information. Customs reform is no different. As such the program will generate regular electronic bulletins with relevant information for all those interested. This is a key measure that is cheap and effective.

A2. Trade Development

One of the challenges to opening markets is to ensure that all players take full advantage of the benefits generated by the creation of regional trading and economic blocks when free trade agreements are implemented. The extent to which the benefits generated by CAFTA-DR are fully utilized by the Central American countries and the DR depends to a great extent on the strength of foreign trade management on the part of key government agencies (primarily customs, trade ministries, and offices of treaty administration), the right legal and regulatory framework, and a private sector that fully understands the new rules and has the tools to make the most of the trade agreement.

Chapter 19 of CAFTA-DR established the mechanism by which signatory countries ensure continued assistance to improve trade capacity through the Trade Capacity Building Committee (TCB). This section of the CRT project focuses on the role of the TCB in facilitating CAFTA-DR compliance and in improving trade capacity for both the public and private sectors.

Furthermore, under project Component 4, CRT will promote efforts to help countries move towards the adoption and/or compliance with the terms of three international conventions and agreements. These agreements are an essential element of the commercial development strategy of these countries and directly complement the implementation of chapters 4 and 5 of the CAFTA-DR treaty. With this in mind, the CRT Program trade development and facilitation strategy is reflected in the following:

Provide rapid-response, demand-driven trade capacity building. CRT's initial strategy for contributing to strengthening the trade capacity of CAFTA-DR countries was based on the assumption that a number of prioritized activities would be defined by the Trade Capacity Building Committee (TCB). The CRT program was not to interfere with the TCB Committee's progress, but rather respond rapidly and efficiently to requests made by the TCB for technical assistance and or capacity building assistance. Furthermore, the program would provide targeted, rapid-response technical assistance, and immediate access to tools, best practices, training and technical support to the TCB. This did not happen.

Therefore, the CRT, in agreement with USAID, has decided to employ a new strategy based upon using existing national action plans for trade capacity building and inputs from each country's representatives to the TCB to identify priority activities. As an initial activity, CRT will be monitoring TCB Committee activities through close contacts with TCB Committee members. CRT will be posting updated information on TCB Committee member activities on the internet every two months, including information on their stage of implementation. In support of this strategy, the in-country coordinators will be given guidance to follow-up and to engage the country's representatives to the TCB to fill information gaps and identify and plan activities. The activities identified in this work plan are a reflection of this new strategy.

Facilitate the adoption of laws or international conventions. The move towards the adoption and/or compliance with the terms of the three international trade facilitation conventions and agreements is important. These three pieces of legislation are critical to the import/export operations that CAFTA-DR will generate. The first convention, the "Inter-American Convention on Legal Regime of Powers to Be Used Abroad" governs the legalization and certification of powers of attorney in all signatory states, while the second, the Inter-American Rules for Electronic Documents and Signatures, is meant to provide basic enabling provisions for electronic transactions to assist the Organization of American States (OAS) in preparing standardized commercial documentation for international transportation and a uniform secured transactions law. The third piece of legislation, "The Hague Convention Abolishing the Requirement of Legislation of Foreign Public Documents," establishes the guidelines for documents to be recognized by a foreign country where a particular document will be used. During calendar year 2007, CRT has identified the status of these conventions in each country and the steps required to make these conventions a reality. As a result, it has designed a road map for an assistance program for each country that incorporates a local strategy for the adoption of the conventions or the development of alternative legislation appropriate for the country's legal and regulatory framework. More importantly, the strategy for the approval of the three international conventions includes activities through specific work groups, particularly private sector stakeholders who will assist in their approval process.

A3. Cross-cutting issues

Securing private sector input. In both customs improvement and trade capacity building activities, the involvement of private sector stakeholders is crucial. Customs reforms aimed at facilitating trade under the rules of the CAFTA-DR treaty are unlikely to endure without buy-in and feedback from the private sector. The private sector in the CAFTA-DR countries is organized and has built organizational structures to cover areas that range from trade facilitation, to the process for Customs Union (*Union Aduanera*), to the administration and compliance of trade agreements like CAFTA-DR, to ensuring that the benefits generated by these agreements are fully understood and utilized. These structures have different counterparts in each country. CRT will ensure active participation of these and other key private sector stakeholders throughout the process.

Close coordination with bilateral programs and other donor agencies. Government agencies and multilateral actors are currently implementing projects in Central America and the Dominican Republic that relate to CRT goals and activities. Projects funded by USAID, the IDB, the Canadian International Development Agency (CIDA), and the World Bank are working to improve the trade and investment climate to further job creation and economic growth prospects. Several activities, including USAID's Customs and Business Environment Program in El Salvador, PROCAFTA in Nicaragua, and the CAFTA-DR Implementation program implemented by Chemonics in the Dominican Republic, focus on key CRT technical areas: customs and trade capacity building for CAFTA-DR implementation, ROO procedures, and customs reform. CRT will ensure close coordination and build relations with these programs and different donors to avoid duplicating efforts and resources, and to maximize results under the CRT program.

B. Country Context

As the program matures, the exact nature of the activities undertaken is evolving. However, there is always a starting point, and a need to initiate work based on "our best collective understanding of things at any point in time." In order to do this and to provide the initial context to the work described later, the program has undertaken a detailed assessment of the level of implementation of chapters 4 and 5 of the CAFTA-DR⁵. The results of this assessment are being presented in a separate document and constitute the basis for the preparation of the CRT Program's 2008 Work Plan. Following is a brief summary of the main findings for each country.

B1. Dominican Republic

An island trading nation, the Dominican Republic (DR) has over 80% of its international trade volume accounted for by the US. CAFTA-DR entered into force for the Dominican Republic in March 2007. The verification of origin and the overall customs administration are managed by the General Directorate of Customs (otherwise known by its Spanish acronym as DGA). The administration of the CAFTA-DR is the responsibility of the Directorate of Foreign Trade and Administration of Foreign Commercial Treaties (DICOEX for its Spanish acronym).

Rules of Origin and Customs Administration

Verification of origin is the responsibility of a Department of Origin. Nevertheless, also intervening in this area are the units of Oversight and Auditing of the DGA. The Department of Origin has seven people and they have the main function of investigating occurrences and to

⁵ *Evaluación del Grado de Implementación de los Capítulos 4 y 5 del CAFTA-DR.* Prepared by the CRT Program. December 2007.

verifying origin. Currently, they are working with the information unit to establish criteria that will allow for the automation of the process of declaration and subsequent verification. They do not have regulated administrative procedures or manuals to carry out the verification of origin. The assessment demonstrates that in matters of Rules of Origin, the DGA needs to strengthen its origins unit in terms of organizational structure, establishment of procedures and training of personnel, as well as the preparation of manuals for origin verification post release of goods.

The DGA is currently applying the preferential duty treatment with the submission of a written certification; electronic certification is still in process. They do not allow preferential duty treatment based only on the importer's knowledge without the submission of the certificate of origin. Finally, compliance with articles in reference to Obligations Concerning Exports and Requirements to keep registries, require modifications to the General Customs Law.

The DGA uses a proprietary system (Dominican Customs System, also known by its Spanish acronym as SIADOM) to control its foreign trade operations. Under the current system, the customs brokers download the application, which they use to prepare the customs declaration and present it to DGA in diskette form. The moment the diskette is presented to Customs, the statement is run through a process of validation. In the case of errors being detected, the customs personnel make the corresponding adjustments, which is not a best practice and results in a delicate situation. Once the declaration is accepted, they proceed with the appraisal of the merchandise and in the case of findings; it is the appraiser who makes the adjustments to the declaration. In the case of the customs broker or the importer/exporter not being in agreement with the decision of the appraiser, the case is argued before the collector (Customs administrator). Once the appraisal is over, it proceeds to quality control and then to payment. Once the declaration has been paid, they proceed to release the merchandise from Customs. Currently they are testing a new version of the system through which the customs broker carry out their statement on-line and in case of mistakes, the customs broker is responsible for correcting them.

With respect to the release of goods (Art. 5.2), the time of release seems to be significantly longer than the one required under the agreement (11 days vs. 48 hours) and even than the required under their own legislation (Law 226 establishes that dispatch would take place within 24 hours in 2007). To correct this situation, the DGA is in the process of implementing simplified procedures, including a pilot test in a customs office for reliable businesses. The DGA is in the initial process of migrating towards an automatic system of customs administration that comes from the Republic of South Korea. With this system, the DGA would be complying with everything that is established under Art. 5.3 (Automation), including the use of international norms.

The DGA relies on a small risk management unit (four officials) and is currently in the process of conceptualizing and defining the methodological base of the risk management module, and intends to assign the colored lanes green, red, yellow and orange. The yellow and orange lanes are both review of documents but of different levels of depth, depending on the history of the customs assistant and/or the importer/exporter. The DGA recently initiated the implementation of a selectivity module based on risk management and it is gradually moving away from inspecting 100% of all shipments. It has started a pilot program with the assignation of traffic lights in the port of Hain, and started the development of the system and of the computerized applications that will sustain its operational capacity.

With regards to express shipments, the DGA still needs to implement methods to allow for the submission of only one manifest that includes all the merchandise included in a shipment transported by an express shipment service. Additionally, and more importantly, they still fail to comply with the timeframe for the dispatch of the shipments (2 days vs. <6 hours). They need to strengthen and simplify the processes for express shipments.

Trade Development

CRT trade development plans for the Dominican Republic include the regular monitoring of implementation of the TCB National Action Plan for the country. The Dominican Republic has also requested CRT assistance with supporting its trade development activities through its Directorate of Foreign Trade and Administration of Foreign Commercial Treaties, DICOEX (*Dirección de Comercio Exterior y Administración de Tratados Comerciales Externos*). Specifically, DICOEX requested support from CRT with the process of achieving ISO 9001 certification for its treaty application division, as has been already been achieved by DICOEX's counterpart in Guatemala.

The DR is a signatory of the Inter-American Convention on Legal Regime of Powers to be Used Abroad; and has a law on Electronic Documents and Signatures. It still needs to sign the Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents. Therefore, the CRT Program will implement an educational campaign in the DR, in conjunction with key local private counterparts (i.e., AMCHAM and CEI) to promote the adoption/implementation of the remaining Convention.

B2. Costa Rica

Historically, CR has been one of the countries in the region most open to international trade and foreign direct investment. This is reflected not only in its export performance (US\$ 7 billion, 140 countries, 3,600 products in 2005) and levels of foreign direct investment into the country during the same year (US\$ 861 million). It is also reflected in the signing of free trade agreements, including those with Mexico, Canada, Chile, CARICOM, and in 2004, CAFTA-DR. At the same time, and given the importance of facilitating trade, government bodies have been working for more than a year on a new draft law focusing specifically on Rules of Origin and customs modernization. Moreover, Costa Rica has legislation regulating the use of electronic documents and signatures, and has ratified the Inter-American Convention on Legal Regime of Powers to Be Used Abroad.

Although CAFTA-DR was ratified, without the need for legislative action, as a result of a referendum on October 7, 2007, the Costa Rican Congress has not yet approved 13 measures which are required to adjust Costa Rican laws to what was promised during the treaty's negotiation. This is expected to take place before March 2008. Pending legislative and USAID approval, CRT is ready to start specific trade development and customs improvement activities in the country.

Rules of Origin and Customs Administration

In Costa Rica (CR) the verification of origin and the customs administration is the responsibility of the General Directorate of Customs (DGA for its Spanish acronym).

The verification of origin is the responsibility of a Verification of Origin unit that is under the *Dirección de Fiscalización*. This structure is relatively new, given that is the result of a restructuring in 2006. The Verification of Origin unit has nine officials with different specializations and has as main function to investigate occurrences and to verify origin to prove if merchandise imported by the country, under preferential duty treatment, effectively complies with the rule of origin. The assessment shows that in the matter of Rules of Origin, the DGA needs to strengthen its unit of origin in terms of the establishment of procedures, preparation of ROO manuals and personnel training. The Verification of Origin unit lacks, at this moment, procedural manuals to carry out the verification of the origin. The DGA indicates that they are already working on them, but assistance from the CRT project may be required.

It is important to note that CR is still in the process of implementation of domestic legislation to comply with CAFTA-DR requirements and to allow the agreement to enter into force. More important, the agreement enters into force CR will already be in compliance with most of the requirements of Chapter 4 and 5. The DGA, in coordination with the Ministry of Foreign Trade, is working on the rules and regulations for CAFTA-DR implementation that adjust Costa Rican internal legislation to the requirements and commitments established in chapters 4 and 5 of CAFTA-DR. This has to be completed before March 1, 2008. These rules and regulations will give legal backing required to comply with CAFTA-DR requirements.

The DGA in Costa Rica is concluding the implementation of their new comprehensive IT system named "Information Technology for the Customs Control" (TICA for its Spanish acronym), which will allow for customs operations to have a high level of automation. The system forces the customs brokers to carry out customs declarations electronically, using electronic signatures, and to scan the attachments. Therefore, DGA is operating basically on a paperless environment.

It is mandatory that the payment be made electronically. The system assigns to the custom declaration a green, red, or yellow traffic light. Those declarations receiving a yellow light are reviewed under a centralized scheme (paperless but not organized by a production line), and in case of doubt they try to carry out the corresponding clarification with the customs broker via e-mail. If the doubt persists, the appraiser of the yellows has the possibility of changing the color to red and to specify comments to direct the appraiser who will handle the reds. A risk management system is utilized, and the status of the declaration is notified via the web. There are other authorizations on line from other dependencies (fees, permits, etc.) and in the case that they are not transferred on line, the DGA compels the other dependency to send the digital authorization. To date, TICA has already been implemented in the Limón Customs and the transit module is ready. The development of the modules of exports, free zones and active perfecting is pending.

With respect to the release of goods, the time of release is significantly lower than the one required in the agreement (green channel 2 minutes/yellow channel 10 minutes/red channel 1 hour on average vs. 48 hours). It is important to emphasize the great accomplishment that TICA represents. It brings the Costa Rican customs to the highest international standards (compliance with Art. 5.3). Therefore, TICA is a mandatory point of reference when it comes to the functionality that it offers. In general, every country that nowadays pretends to migrate towards a whole new system of Customs or carry out a restructuring of its current system, should first learn, and if possible observe in the real operation, the functionality offered by TICA.

In regards to risk management, (Art. 5.4) the DGA has a Directorate of Risk Management that is under the charge of one director and is formed by two Departments (Department of Risk and Custom intelligence and Department of planning and supervision). A manual of Internal Procedures of the Direction of Customs Risk Management was issued in August 2007. The percentage of physical inspections as a result of the application of the risk system is the lowest in the region, only 12.57%.

In general, the DGA complies with express shipment requirements (Art. 5.7). The DGA classifies express shipments in three categories: i) the merchandise classified as documentation exits immediately after the clearance; ii) the non-commercial (can submit global declarations with merchandise that doesn't have a commercial value over \$1,000); and iii) commercial merchandise that must follow the procedure of nationalizing like any other merchandise. In these last two cases the terms of the green/yellow and red channels previously indicated apply. This implies that they comply with the time of dispatch of the shipments (with red channel – physical inspection - 1 hour vs. 6 hours).

Trade Development.

CRT trade development plans for Costa Rica include the regular monitoring of implementation of the TCB National Action Plan for the country. In addition, the CRT may conduct one short term technical assistance or training activity responding directly to a request from the Ministry of Trade (COMEX), provided that the proposed activity is included and identified as a priority in Costa Rica's National Action Plan for Trade capacity Building (TCB). CRT will develop initiatives that meet the needs of Costa Rica. This proposed activity may take the form of an in-house training; workshops; seminars; study tours; and/or specific technical assistance.

Costa Rica has not yet signed the Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents, although the Convention is currently being analyzed by the National Assembly. Therefore, the CRT Program will conduct a workshop with members of the private sector and with members of the National Assembly to support approval of the Hague Convention.

B3. Honduras

In Honduras, customs administration is the responsibility of the *Dirección Adjunta de Rentas Aduaneras* (DARA) of the *Dirección Ejecutiva de Ingresos* (DEI) - DARA-DEI.

Rules of Origin and Customs Administration

The subject of Rules of Origin is handled by the Treaty Administration unit that was recently formed within the organic structure of the DEI. DARA-DEI does not fully comply with the ROO requirements established in articles 4.1 to 4.14, nor those referred to in Article 4.20 about Verification. The assessment shows that, in order to comply with these important requirements of implementation, priority must be given to the strengthening of a unit of origin, be it within customs or within the DEI. The strengthening required has to take place in terms of the organizational structure, establishment of procedures, equipment, preparation of manuals and training of personnel.

The DARA-DEI currently accepts written certificates of origin, and is in temporary compliance of what is established in the agreement. However, it still needs to take actions to apply the preferential duty treatment with the submittal of electronic certificates (Art. 4.16) within three years of the entering into force of the agreement. According to DARA-DEI, it already allows importers to claim preferential duty treatment based on the simple knowledge of the importer, without the submittal of the certificate of origin.

The DARA-DEI already complies with authorizing the release of goods within the 48 hours after the submittal of the customs declaration (Art. 5.2.2^a), however, it is still in the process of reviewing the current procedures in order to simplify them and guarantee the efficient release of merchandise, and therefore facilitate commerce.

The DARA-DEI uses SIDUNEA as its integral system to control the operations of foreign trade, and in general complies with what is established in Article 5.3. The version of SIDUNEA implemented allows for the customs brokers to file an on-line declaration, and once the system accepts the electronic declaration, the system issues the payment voucher which can be paid directly at a financial institution. Like other countries, it is still in the process of development of electronic systems that are compatible among the customs authorities of the Parties to ease the exchange of data of international trade (Art. 5.3e). The DARA-DEI exchanges information referring to international transit with the customs of Guatemala, El Salvador and Nicaragua; and also information on the Central American Sole Customs Form with customs in Guatemala.

The adoption of a system of risk management that would allow the DARA to focus its activities of inspection in high risk merchandise (Art. 5.4) is in process. The current system allows that, after the Customs declaration has been paid, the declaration is again presented by the Customs broker to Customs so that the selectivity module stamps the entry green, yellow or red. If the system assigns the entry a red stamp, the entry is subject to physical revision. SIECA is working with the Honduran Directorate of Customs in the implementation of a regional risk management system.

SIDUNEA has the capacity to receive the manifests in an electronic manner and currently DARA is in the process of implementing this function. In the matter of risk management, SIDUNEA has a tool to allow it to register the risk variables, and the area responsible for the control and follow-up of the same is also of recent creation.

The responsibility for the management of risks falls on the National Unit for Risk of the DARA, that is responsible for the development and proposal of plans of action for the analysis of the risks of the customs operations of foreign trade, and for establishing risk criteria to allow the quick release of low-risk shipments. The National Unit for Risk is located within the organic structure of the DEI. This unit has eight risk analysts located in the customs of La Mesa, Toncontin, El Amatillo, las Manos and El Poy. The DARA, understanding the need to strengthen this unit, recently prepared a proposal to strengthen the same, in which it included the new organizational structure, the functions of each of the work units that conforms it, the profile of its personnel and the formation of the National Risk Committee. The suitable implementation of this unit is critical for the compliance with a great many of the commitments of chapter.

Honduras currently does not meet CAFTA-DR requirements for the clearance of express shipments. The current system clears those entries within 24 hours, and does not fulfill the CAFTA-DR.

Trade Development.

CRT trade development plans for Honduras include regular monitoring of implementation of the TCB National Action Plan for the country. In addition, the CRT may conduct one short term technical assistance or training activity responding directly to a request from the *Dirección General de Aplicación de Tratados of the Secretaría de Industria y Comercio*, provided that the proposed activity is included and identified as a priority in the Honduras's National Action Plan for Trade capacity Building (TCB). The development of this initiative should meet the needs of Honduras and may take the form of an in-house training; workshops; seminars; study tours; and/or specific technical assistance.

Honduras does not have legislation dealing with electronic documents and signatures and still needs to ratify The Hague Convention Abolishing the Requirement of Legalizing Foreign Public Documents. Therefore, the CRT Program activities will be focused on these two areas.

B4. Guatemala

Guatemala has made some significant progress in critical areas regarding the implementation of CAFTA-DR, particularly as it relates to customs management and trade facilitation. Customs administration in Guatemala is the responsibility of the Intendancy of Customs, which is part of the Superintendence of Tax Management (SAT for its Spanish acronym). The verification of origin is the responsibility of the Directorate of Foreign Trade Administration (DACE for its Spanish acronym) under the Ministry of Economy.

Rules of Origin and Customs Administration

The verification of origin, as we mentioned, is the responsibility of the DACE. For this reason, close coordination and a fluid exchange of information in a timely manner between the DACE and the SAT is essential. The assessment shows that Guatemala's non-compliance in areas of verification of certain regulations of origin (e.g. Art. 4.2 Value of Regional Content; Art. 4.6: De Minimis), as well as in origin procedures (e.g. Art. 4.20 Verification) could be addressed by strengthening its unit of verification of origin with technical assistance (e.g. establishment of procedures, organizational structure, preparation of ROO manuals), and training of the personnel responsible for ROO. These are areas required by both the DACE and the SAT.

The SAT is responsible for the administration of customs and compliance with Chapter 5 of CAFTA-DR. Among the main achievements to date is the creation of a Risk Analysis Module that is now being offered to other countries to be adapted to the local realities. Some of the areas where the country has made progress, but still needs to do more, are on issues related to publication and transparency. On this topic, late in 2006, the SAT launched an initiative called "First Summit of Customs Modernization and Transparency". As a result of this summit, five working groups formed by customs officials, custom and transportation agents, and users, were created: (1) Operations; (2) Client Service; (3) Transparency and Anticorruption; (4) Regulations and Norms; and (5) Port Security. Many of the members of the working groups also participate in the National Commission for Trade Facilitation (also known by its Spanish acronym as CONAFACIL). With regards to the International Transit of Merchandise, there is a regional automated system that was created for the International Transit Declaration (DTI – *Declaracion de Transito Internacional*) that is operated by transportation associations located in the border regions.

The SAT is currently implementing a new information system named SAQB'e. Consultations through the web, decrease in the time for the release of goods, risk management and management of customs procedures, are some of the benefits of the new system. The program is already in operation in Puerto Barrios and by the end of the year its installation is expected to be concluded in Puerto Quetzal, while the rest of customs will be incorporated gradually during the following year. The first land customs to implement SAQB'e will be Tecún Umán and then Pedro de Alvarado, these are priority customs in the industrial regions.

The SAT of Guatemala has also implemented the electronic declarations, electronic payments and it uses a system of risk management, and with this it complies with that established in Art. 5.4. However, the percentage of physical reviews is still very high (close to 45%). This is one potential area of improvement to make the system more efficient in a manner that allows the SAT to focus its activities of inspection in high risk merchandise while expediting the release of low-risk shipments.

It is important to note that SAT has implemented an innovative procedure for the expedited release of express shipments. This procedure consists in the assignment of the traffic light and risk management based on the information on the manifest, the classification to 4 digits without using generic fractions, and the expedited review based on the traffic light assigned. This results in a time of dispatch of less than one hour.

Finally, priorities for Guatemala, as defined by its authorities, include work on the use of an efficient risk management system, an efficient electronic declaration system and is part of a regional solution for solving rules of origin issues.

Trade Development

On Trade Capacity Building (TCB), there is a national committee coordinated by MINECO where other government agencies are involved, particularly the Ministry of Health, dealing with sanitary and phytosanitary regulations (MAGA); and CONAFACIL representing the private

sector. CRT will support capacity building activities in support of specific initiatives requested by the government of Guatemala.

CRT trade development plans for Guatemala include the regular monitoring of implementation of the TCB National Action Plan for the country. In addition, the CRT may conduct one short term technical assistance or training activity responding directly to a request from the DACE or MINECO, provided that the proposed activity is included and identified as a priority in Guatemala's National Action Plan for Trade capacity Building. CRT will develop initiatives that meet the needs of Guatemala. This proposed activity may take the form of an in-house training; workshops; seminars; study tours; and/or specific technical assistance.

Guatemala has requested support from CRT with the adoption of the draft Electronic Documents and Signatures Law. The CRT program will work with capacity building activities to promote the discussion and relevance of the draft law to the local business community. Finally, Guatemala has already signed the Inter-American Convention on Legal Regime of Powers to be Used Abroad. However, it is not part of the Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents. Therefore, the CRT Program will conduct a capacity building activities with members of the private sector and with members of the National Assembly to support approval of the Hague Convention by Guatemala.

B5. Nicaragua

Since CAFTA-DR entered into force in April 2006, Nicaragua has seen a significant increase in trade with its main bilateral trade partners. The U.S. is Nicaragua's main export market. Since the treaty was adopted, the volume of trade between the two countries increased by 22%. Moreover, the level of investment in free trade zones, tourism, construction, energy and telecommunications has also increased significantly. Investments in the textile sector in free trade zones increased by more than 126% to US\$ 207 million in 2006. This significant increase was primarily due to the trade preference level (TPL) allocations which have been assigned to Nicaragua and which are managed by the National Commission on Free Trade Zones. Factors such as preferential duties, TPL, and the removal of non-tariff barriers to exports from Nicaragua have served as direct incentives to larger investment and exporting activities in that market. Key objectives of this trade instrument are increased investments, export growth and diversification of products. By achieving these and other objectives, a boost in economic growth and employment creation are expected in Nicaragua. In addition, Nicaragua has taken significant steps in improving its customs procedures and topics including trade facilitation and Rules of Origin, based on the requirements established by CAFTA-DR while also improving the national business environment and investment promotion initiatives.

Rules of Origin and Customs Administration

Customs administration and compliance with the obligations that derive from chapters 4 and 5 of the CAFTA-DR are under the responsibility of the General Directorate of Customs Services of Nicaragua (DGA for its Spanish acronym).

DGA Nicaragua does not fully comply with the application of the rules of origin established in numerals 4.2 to 4.14 of CAFTA-DR. The assessment shows that in this area in particular, the DGA needs to strengthen its unit of origin by establishing a suitable organizational structure, establishing functions and procedures and training the origin personnel. Additionally, the technical capacity for verification a posteriori must be created, be it through the training of personnel and/or the preparation of manuals for the verification of origin.

Like other customs directorates in the region, the DGA currently accepts written certificates of origin and is in temporary compliance with the agreement. However, they still need to take

actions to apply the preferential duty treatment with the submittal of electronic certificates (Art. 4.16) within the three years of the coming into force of the agreement. According to the DGA, they currently allow to credit the duty preference based on the simple knowledge of the importer, without the submittal of the certificate of origin.

According to the DGA, Nicaragua complies in great measure with the requirements of the agreement when it comes to chapter 5. The analysis shows that the DGA is in a constant process of revision of its customs procedures in order to simplify them to assure the efficient release of goods (Art. 5.2.1). The DGA uses the system SIDUNEA++ (Spanish acronym for Computerized Customs Management System) as their integral system and complies with Art. 5.3 (automation). However they have expressed the need for a technological upgrade. The DGA was in the process of migration to a new system developed with financing from the Inter American Development Bank (BID its Spanish acronym) but it seems it has not been implemented. With the current system, they are using risk management to assign the traffic lights, and in case of findings a fine is applied. Every importer must be duly registered in the area of Internal Taxes and must be current with his obligations. As a consequence, the DGA demands that periodically every importer submits proof of Tax Clearance. Also, every business that is going to use the services of a customs agent is forced to give him a power of attorney before a notary public. At the moment of submitting the declaration, to have a traffic light assigned, the agent must attach a control sheet in which the attached documents are related so that customs can carry out the corresponding comparison and receipt. This is a very good practice. In general, DGA complies with the system of risks, but this is an area that can stand improvement in order to simplify the release and movement of merchandise of low risk and so that the activities of inspection of the DGA are focused on high-risk merchandise.

The Nicaraguan DGA also allows for the clearance of express shipments within six hours following the presentation of the documentation requested by Customs. Although it meets the specific DR-CAFTA requirement, the DGA needs to work with the carriers to determine why they are not using the facility implemented which allows multiple shipments from different importers to be stated in a single customs declaration.

Trade Development

CRT trade development plans for Nicaragua include the regular monitoring of implementation of the TCB National Action Plan for the country. In addition, the CRT may conduct one short term technical assistance or training activity responding directly to a request from the General Directorate of Foreign Trade (DGCE) of the Ministry of Development, Industry, and Commerce (MIFIC), provided that the proposed activity is included and identified as a priority in Nicaragua's National Action Plan for Trade capacity Building. CRT will develop initiatives that meet the needs of Nicaragua. .

The proposed activity may take the form of an in-house training; workshops; seminars; study tours; and/or specific technical assistance. However, the MIFIC has identified the following as a priority within its NAP and has requested CRT assistance: Develop a comprehensive plan to disseminate and promote the benefits of the country's free trade agreements, including CAFTA-DR. Implementation of the plan with at least 1 activity per month directed to small and medium size enterprises. This will enable SMEs to benefit from free trade opportunities throughout the country.

Nicaragua has not ratified any of the trade facilitation and currently lacks legislation regulating electronic documents and signatures. Therefore, CRT will provide capacity building activities to private sector companies, in alliance with CACONIC (Chamber of Commerce) and possibly others, to educate the interested parties about the relevance of The Hague Convention Abolishing the Requirement of Legalizing Foreign Public Documents.

Finally, CRT will review the draft law on Electronic Documents and Signatures (Note: not E-Commerce law, which is being supported by another USAID project) and, if needed, provide technical assistance on the preparation of the new law and its *Reglamento*.

B6. El Salvador

Over the past few years, El Salvador has developed a strong economic development strategy. According to the Index of Economic Freedom 2006, El Salvador is considered the 29th freest economy out of 157 countries and the 7th out of 29 Latin American countries. This position gives El Salvador a competitive advantage over other CAFTA-DR countries as a destination for foreign direct investment and trade promotion. Being part of CAFTA-DR benefits the export of goods given that the U.S. and Central American countries are its main export markets. Trade related issues are channeled through the Ministry of Economy (MINEC). Under MINEC, there are different entities that supervise trade activities and ensure that El Salvador is in compliance with CAFTA-DR regulations. Also, the Government frequently consults with the private sector through the Productive Sector Support Office for Trade Negotiations (ODASP) to ensure that the private sector gets involved in the country's economic policy development and that their views are taken into consideration.

Rules of Origin and Customs Administration

Verification of origin and customs administration is under the responsibility of the General Direction of Customs (DGA) of El Salvador.

The DGA El Salvador complies in great measure with the requirements established in the agreement. The subject of the verifications of origin is under the Department of Origin that reports to the Technical Division. The department has a manual for verification of origin, which includes programs to carry out verifications of origin and also a manual of functions, in which the profile and the functions of the personnel of origin are identified. With respect to the procedures and regulations for the verification of origin, the department has the following: a) An ISO-9001 Quality Procedure for the preliminary verifications of origin; b) An ISO-9001 Quality Procedure for the verification of origin; c) An ISO-9001 Quality Procedure for the reception and return of samples; and d) a Regulation for the interpretation and application of Chapters 3 and 4 of CAFTA.

The DGA's identified priority areas for improvement include: (a) the requirement to accept that importers request preferential duty treatment through electronic certification (Art. 4.16); (b) the creation of common guidelines (Art. 21); and (c) the development of electronic systems which are compatible with software currently used by the Customs Directorates of the CAFTA-DR member countries, for the purpose of exchanging international trade data among government agencies.

El Salvador complies in great measure with the requirements established in the agreement with reference to customs administration and trade facilitation. DGA has implemented an area of risk management organized in groups with specific tasks which contributes to its efficiency.

The current timeframe for clearance of shipments is less than 4 hours. However, the DGA is simplifying procedures to allow that merchandise is cleared at their point of arrival, without transportation to warehouses or similar facilities. Physical inspections are carried out in 17% of imported merchandise, in which case maximum clearance time is 18 hours (CAFTA-DR requirement: 48 hours). In the case of merchandise which enters the country with a "green" stamp, the clearance time varies between 3 and 7 minutes. For express shipments, the clearance time is 6 hours, which, therefore, fulfills the CAFTA-DR requirement (Art. 5.7(e)).

Trade Development.

CRT trade development plans for El Salvador include the regular monitoring of implementation of the TCB National Action Plan for the country. In addition, the CRT may conduct one short term technical assistance or training activity responding directly to a request from the Directorate of Treaty Administration of the Ministry of Economy provided that the proposed activity is included and identified as a priority in El Salvador's National Action Plan for Trade capacity Building. CRT will develop initiatives that meet the needs of El Salvador. This proposed activity may take the form of an in-house training; workshops; seminars; study tours; and/or specific technical assistance.

In addition, the CRT will continue to assist the Technical Secretariat of the Presidency in expanding the existing IT/software platform for electronic payments of the government of El Salvador (PAGOES) to include at new government agencies. This computerized platform is designed to facilitate electronic transactions (i.e. capture, validate and process payments for government services, fees, etc.) to the government through real-time interaction of governmental institutions, the *Dirección General de Tesorería*, and Salvadoran financial institutions through electronic banking systems. CRT completed the initial assessment of seven public sector institutions and concluded that only DGA, MSPAS, and CNR have the technical capability and required infrastructure to adopt PAGOES. The CRT presented its assessment report to the Technical Secretariat at the end of September and subsequently developed the so called *Documento de Adhesión a la Plataforma PAGOES* (DAP) for each of these three institutions. The implementation phase is scheduled to begin in January

El Salvador is also moving forward with the process to develop a draft Electronic Signatures and Documents law in order to enhance trade facilitation, in lieu of adopting the Inter-American Rules on Electronic Documents and Signatures (IAREDS). CRT is currently assisting the Technical Secretariat of the Presidency with this effort. Over the next year the CRT expects to assist El Salvador in the preparation of the *Reglamento* of this new law.

El Salvador has already ratified the Inter-American Convention on Legal Regime of Powers to be Used Abroad and The Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents.

C. Activity Overview

The activities developed for the second year work plan continue to reflect the overall strategic focus of the program and respond to the needs of the individual countries in question based on the initial country assessments in all four components and the detailed assessment of the level of implementation of chapters 4 and 5 of the CAFTA-DR prepared on November 2007. As we did with our previous original work plan submissions, the activities are presented in an activity matrix, presented in the following manner:

- Vertical organization of table (rows) beginning with cross-cutting management activities followed by activities organized by component (1 to 4).
- Horizontal organization of table (columns) in ten columns as follows:
 - Activity code number: to identify main activity area (e.g. 2) and associated sub-activities where relevant (e.g. 2.1)
 - Task activity area or CAFTA-DR Article Addressed: to identify similar groups of activities (outreach, technical assistance, etc.) and to link the activity with a specific Article of Chapter 4 or Chapter 5 of CAFTA-DR.

- Activity and sub-activities: to provide a concise description of the principal activity groupings, and their breakdown into a series of smaller or more confined activities where necessary. It is important to note that in some cases, we have maintained the original activity descriptions and added an “UPDATE” text when appropriate.
- Challenges/risks and/or assumptions: to qualify or elaborate on the activity description, as well as to clarify the reason for its inclusion or aspects of its implementation, where necessary
- Responsibility within the CRT team and Principal counterparts/stakeholders: to indicate those who will be undertaking or supervising the activity in question; and to identify those who will be more closely involved in the development of, or benefiting from, the outputs of the proposed activities
- Anticipated Results/ Outcomes/ Impact of Activity: to closely tie activities to concrete results (quantified where possible) and thus provide a clear idea of what USAID can expect to see at key intervals over the second year. These are summarized results of the work plan which show the overall impact of the particular activity, referring to significant and measurable change affecting project beneficiaries.
- Indicators/Performance Standards: to closely identify activities vis-à-vis the indicators and performance standards established in the Task Order and in the Performance Management Plan (PMP). They are expressed in quantifiable terms and are objective and measurable. Because of space limitations, in some cases only the reference number of the Indicator, Key Result Area (KRA), or Project Intermediate Result (PIR) is presented. The complete description of these indicators can be found in the PMP.
- Deliverables/Outputs: To denote a tangible, immediate, and intended product, deliverable, or consequence of an activity within the CRT’s manageable control.
- Milestones: These are specific interim events, products, or steps in the process that convey progress toward completion of a deliverable or result.
- Timeframe: to more effectively organize the timing of activities, particularly where the initiation of some are dependent on the successful completion and presentation/approval of others. The information is provided on a quarterly, monthly and bi-weekly basis. Areas shaded in light blue denote the implementation of an activity/sub-activity. Areas shaded in red denote milestones.

D. Funding Requirements

The estimated monthly funding requirements during the second year of implementation are presented in the tables below. These amounts reflect an elevated level of activity and represent our best estimate of the associated expenditures required to meet the second year objectives presented in this work plan. The budget projections will be reviewed and updated regularly.

Monthly projections through December 31, 2007:

Monthly Projections October – December 2007			
Date	Work Days Ordered	Materials	Total
Expenditures through September 30, 2007	\$778,164.39	\$259,942.22	\$1,038,106.61
Disbursed Expenses - October	\$138,705.58	\$35,422.85	\$174,128.43
November	\$67,101.34	\$16,872.85	\$83,974.19
December	\$83,722.64	\$34,691.02	\$118,413.66
Total	\$1,067,693.95	\$346,928.94	\$1,414,622.89

Projections through the end of the contract:

Budget Projections						
Line Item	Task Order Year 1 – Dec 06 – Dec 07		Total Task Order Year 1 – 2007	Task Order Year 2 – 2008	Task Order Year 3 – 2009	Grand Total
	Through September 2007	Projected October-Dec 07				
Work Days Ordered	\$778,164.39	\$289,529.57	\$1,067,693.96	\$1,673,692	\$344,231	\$3,085,617.00
Materials	\$259,942.22	\$86,986.72	\$346,928.94	\$1,423,650	\$797,766	\$2,568,609.00
Grand Total	\$1,038,106.61	\$376,516.29	\$1,414,622.90	\$3,097,342.00	\$1,141,997.00	\$5,654,226.00

Projections by Component

	Through September 30 2007	Task Order Year 1 - 2007	Task Order Year 2 - 2008	Task Order Year 3 - 2009	TOTAL	% of Total
Work Days Ordered						
Component 1 + 2		767,510	1,293,425	232,471	2,293,406	74.33%
Component 3		126,725	228,754	52,410	407,889	13.22%
Component 4		173,458	151,514	59,350	384,322	12.46%
Sub-Total	778,164.39	1,067,694	1,673,692	344,231	3,085,617	
Materials						
Component 1 + 2		258,054	1,172,341	592,945	2,023,340	78.77%
Component 3		45,896	127,536	105,457	278,889	10.86%
Component 4		43,244	123,773	99,364	266,380	10.37%
Sub-Total	259,942.22	347,193	1,423,650	797,766	2,568,609	
Grand Total	1,038,106.61	1,414,887	3,097,342	1,141,997	5,654,226	

Budget distribution by Component

Budget Distribution by Component		
Component	Budget	% of Total
Component 1 + 2	\$4,316,745.66	76.35%
Component 3	\$686,777.81	12.15%
Component 4	\$650,702.53	11.51%
Total	\$5,654,226.00	

ANNEX. WORK PLAN OF ACTIVITIES FOR 2008

