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# EVALUATION OF THE REGIONAL AND BILATERAL PROGRAMS TO SUPPORT TRADE COMPLIANCE UNDER CAFTA-DR

## FINAL REPORT

**AUGUST 2011**

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## **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## PREFACE

The United States signed the CAFTA-DR Free Trade Agreement (CAFTA-DR Agreement) on August 5, 2004 with the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. The Agreement entered into force for the United States, El Salvador, Guatemala, Honduras, and Nicaragua in 2006, for the Dominican Republic in 2007, and for Costa Rica in 2009. The Agreement requires significant reforms of the import–export environment as well as transparency and efficiency in administering customs procedures including CAFTA-DR Agreement rules of origin.

This is the assessment report on the assistance funded by USAID that helped the six CAFTA-DR beneficiary countries in complying with provisions of Chapters 3, 4, 5, and 6 of the Agreement. This evaluation focuses on four USAID-funded projects: (1) the CAFTA-DR Regional Trade Program Project (Chemonics); (2) the CAFTA-DR Bilateral Trade Program as part of the wider Customs and Business Environment that Promotes Trade and Institution Project (the CBE Project, Booz Allen Hamilton); (3) the USAID/SIECA Cooperative Agreement for Compliance with Rules of Origin and Customs Procedures; and (4) the USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards.

The Evaluation Team working for SEGURA Partners LLC as prime contractor and Manchester Trade as subcontractor consisted of Jorge Segura as partner in charge, Jose A. Valdez as Team Leader, Rafael Cornejo as Rules of Origin and Customs Expert, Julian Velez as Sanitary and Phytosanitary Specialist, and Carlos Roberto Perez as Market Access Consultant. The assessment encompassed the period from February 28, 2011 to July 15, 2011.

## ACKNOWLEDGEMENTS

The Evaluation Team expresses its thanks to the many colleagues in each of the six countries and in Washington, DC who facilitated the assessment. This collaboration is broadly reflected in Annex 4. Our especial thanks to Gabriela Montenegro who carried out the overall guidance of the assessment and helped collect all the information needed, and to the local staff in each of the countries who helped coordinate the visits and made sure the right individuals were interviewed during a compressed schedule for each field visit. USAID representatives and Commerce Department officials in all missions kindly gave us their views and guided our interviews with a diverse group of stakeholders in government and the private sector.

## ACRONYMS

ACOFLOR	Asociación Costarricense de Floricultores
ADAPCCA	Proyecto Diseño y Aplicación de Políticas Comunes Centroamericanas
ADOZONA	Asociación Dominicana de Zonas Francas, Inc.
AEO	Authorized Economic Operator
AGEXPORT	Asociación Guatemalteca de Exportadores
AMCHAM	American Chamber of Commerce
AMCHAMDR	American Chamber of Commerce of the Dominican Republic
AMH	Asociación Hondureña de Maquiladores
ANAR	Asociación Nicaragüense de Arroceros
ANDAH	Asociación Nacional de Acuicultores de Honduras
ANDI	Asociación Nacional de Industriales de Honduras
ANITEC	Asociación Nicaragüense de la Industria Textil y de Confección
APEN	Asociación de Productores y Exportadores de Nicaragua
APHIS	Animal and Plant Health Inspection Service
AR	Advanced Rulings
ASI	Asociación Salvadoreña Industria
ASOTRATUOSEP	Asociación de Transportistas Turísticos “8 de Septiembre”, Inc.
BAH	Booz Allen Hamilton
CA	Central America(n)
CACM	Central American Common Market
CACONIC	Cámara de Comercio de Nicaragua
CADAEN	Cámara de Agentes Aduaneros y Almacenadores de Nicaragua
CADECA	Compañía Avícola de Centroamérica, SA
CADEXCO	Cámara de Exportadores de Costa Rica
CADIN	Cámara de Industrias de Nicaragua
CAFTA-DR	Dominican Republic Central America United States Free Trade Agreement
CANAPEP	Cámara Nacional de Productores y Exportadores de Piña
CANATRAC	Cámara Nacional de Transportistas de Carga
CANISLAC	Cámara Nicaragüense del Sector Lácteo
CATECO	Cámara Textil Costarricense
CAUCA	Central American Uniform Customs Code
CBE	Customs and Business Environment
CBI	Caribbean Basin Initiative
CBP	Customs and Border Protection
CBTPA	Caribbean Basin Trade Partnership Act
CD	Compact Disc
CEI	Centro de Exportaciones e Inversiones Nicaragua
CENCIT	Comisión Empresarial de Negociaciones Comerciales Internacionales
CENTREX	Centro de Trámites de Exportación
CETREX	Centro de Trámites de las Exportaciones
CETS	Executive Commission for Sustainable Tourism (Cámara Nacional de Turismo de Honduras)
CFIA	Canadian Food Inspection Agency
CNC	Consejo Nacional de Competitividad
CO	Contracting Officer
COCEP	Consejo Superior de la Empresa Privada
COEXPORT	Corporación de Exportadores de El Salvador

COHEP	Consejo Hondureño de la Empresa Privada
COMIECO	Council of Ministers for Economic Integration (Consejo de Ministros de Integración Centroamericana)
CONAFRUVE	Comisión Nacional de Frutas y Vegetales
CONAGAN	Comisión Nacional Ganadera de Nicaragua
CONIMIPYME	Consejo Nicaragüense de la Micro, Pequeña y Mediana Empresa
CONSUCAC	Consolidación de la Unión Aduanera Centroamericana
CORFOGA	Corporación Ganadera
COSEP	Consejo Superior de la Empresa Privada
COTR	Contracting Officer's Technical Representative
CR	Costa Rica
CRECEX	Cámara de Comercio Exterior
CROCUP	Compliance with Rules of Origin and Customs Procedure
RTP	USAID CAFTA-DR Regional Trade Program
DCA	Development Credit Authority
DEI	Dirección Ejecutiva de Ingresos
DGA	Dirección General de Aduanas
DGA-ES	Dirección General de Aduanas de El Salvador
DIA	Division of Food Safety
DIACO	Dirección de Atención y Asistencia al Consumidor
DICOEX	Dirección de Comercio Exterior y Administración de Tratados Comerciales Internacionales
DR	Dominican Republic
DUA	Single Customs Declaration (Declaración Única Administrativa)
E-CAM	USAID Central America and Mexico/El Salvador
EGAT	Bureau of Economic Growth, Agriculture and Trade
ES	El Salvador
EU/EC	European Union/European Community
FAO	Food and Agriculture Organization
FAS	Foreign Agricultural Service
FAUCA	Central American Unified Customs FormForm (Formulario Aduanero Único Centroamericano)
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FedEx	Federal Express
FENADUANAH	Federación Nacional de Agentes Aduaneros
FEPYME	Federation of Small and Medium Enterprises of Central America (Federación de la Pequeña y Mediana Empresa Centroamericana)
FSMA	U.S. Food Safety Modernization Act
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FUD	Food From Mexico
FUNIDES	Fundación Nicaragüense para el Desarrollo Económico y Social
FUSADES	Fundación Salvadoreña para el Desarrollo Económico
GAP	Good Agricultural Practices
GATT	General Agreement on Tariffs and Trade
GBTI II	Global Business Trade and Investment II
GDA	Global Development Alliance
GDP	Gross Domestic Product
GEDOEL	Electronic Document Generator (Generador de Documentos Electrónicos)
GES	Galileo Educational System–Universidad Galileo

GMP	Good Manufacturing Practices
GPP	Good Production Practices
GSP	Generalized System of Preferences
GUA	Guatemala
HACCP	Hazard Analysis and Critical Control Points
HON	Honduras
HS	Harmonized System
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IIBI	Instituto de Innovación en Biotecnología e Industria
IPR	Intellectual Property Rights
IQC	Indefinite Quantity Contract
ISPRI	Programa de Apoyo Institucional para la Integración Regional
ISO	International Organization for Standardization
ITSW	International Trade Single Windows
JAD	Junta Empresarial Dominicana
LAC	Latin America and Caribbean
LAD	Laboratorio Agroempresarial Dominicano
LAICA	Liga Agrícola Industrial de la Caña de Azúcar
LAVECEN	Central Veterinary Laboratory (Laboratorio Veterinario Central)
MA	Market Access
MAG	Ministerio de Agricultura
MAGA	Ministerio de Agricultura y Alimentación
MAGFOR	Ministerio Agropecuario y Forestal
MIFIC	Ministerio de Fomento, Industria y Comercio
MOU	Memorandum of Understanding
MRL	Maximum Residue Levels
MT	Manchester Trade
NAFTA	North American Free Trade Agreement
NCIMS	National Conference on Interstate Milk Shipments
NGO	Nongovernmental Organization
NIC	Nicaragua
NSFSS	National Sanitary and Food Safety System
OAS	Organization of American States
OCBD	Office of Capacity Building and Development
OIE	World Organization for Animal Health (Organización Mundial de Sanidad Animal)
OIRSA	International and Regional Organization for Agricultural Sanitary Services (Organismo Internacional Regional de Sanidad Agropecuaria)
OMA	Organización Mundial de Aduanas
OSPESCA	Organización del Sector Pesquero y Acuícola del Istmo Centroamericano
PACE	Business Program Customs Enforcement (Programa Aduanero de Cumplimiento Empresarial)
PAIRCA	Programa de Apoyo a la Integración Regional Centroamericana
PAPA	Participating Agency Program Agreement
PATCA	Proyecto de Apoyo a la Transición Competitiva Agroalimentaria
PFID	Partnership for Food Industry Development
PIPAA	Programa Integral de Protección Agrícola/Ambiental
PMO	Pasteurized Milk Ordinance
PPP	Public Private Partnership
PREVDA	Programa Regional de Reducción de la Vulnerabilidad y Degradación Ambiental

PROALCA	Increased Central American Competitiveness in Global Markets (Proyecto de Apoyo a la Participación de Centroamérica en el Area de Libre Comercio de las Américas)
PROCONSUMIDOR	Institute for Consumer Protection of the Dominican Republic (Insituto Nacional de Protección de los Derechos del Consumidor)
RECAUCA	Regulation of Central American Uniform Customs Code
REDDOM	Rural Economic Development Dominicana
RFP	Request for Proposals
RM	Risk Management
RMC	Risk Management Cycle
ROO	Rules of Origin
RTP	Regional Trade Program
SAFTZ	Special Agricultural Free Trade Zones
SAQB'E	Customs Information System used in Guatemala
SARAH	Automated System of Customs Revenue in Honduras (Sistema Automatizado de Rentas Aduaneras de Honduras)
SAVA	Customs Risk Analysis and Rating System
SAT	Superintendencia de Administración Tributaria
SENASA	Servicio Nacional de Sanidad Agropecuaria
SFE	Servicio Fitosanitario del Estado
SICA	System of Central American Integration (Sistema de la Integración Centroamericana)
SIECA	Secretaría de Integración Económica Centroamericana
SIGA	Secretaría de Gestión Aduanera de República Dominicana
SME	Small and Medium Enterprise
SOW	Scope of Work
SPS	Sanitary and Phytosanitary
TPL	Tariff Preference Level
TRQs	Tariff Rate Quotas
UAC	Unión Aduanera Centroamericana
UNAG	Unión Nacional de Agricultores y Ganaderos de Nicaragua
UNCTAD	United Nations Conference on Trade and Development
UNITAR	United Nations Institute for Training and Research
UPANIC	Unión de Productores Agropecuarios de Nicaragua
U.S.	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USTR	United States Trade Representative
VUVI	Single Virtual Import Window
VUCE	International Trade Single Windows (Ventanilla Única de Comercio Exterior)
WASH	Washington, DC
WCO	World Customs Organization
WTO	World Trade Organization

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# EXECUTIVE SUMMARY

## **Section 1: Background**

USAID selected SEGURA Partners to undertake the evaluation of four projects implemented to support compliance with provisions of Chapters 3, 4, 5, and 6 of the CAFTA-DR Agreement. The projects evaluated are: (1) the CAFTA-DR Bilateral Trade Program in El Salvador implemented by Booz Allen Hamilton; 2) the Cooperative Agreement for Compliance with Rules of Origin and Customs Procedures implemented by SIECA; (3) the CAFTA-DR Regional Trade Program Project implemented by Chemonics; and (4) the USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards.

The evaluation took place from February 28, 2011 to July 15, 2011. The team visited each of the six CAFTA-DR countries for a period of one week to conduct in-person interviews with government officials, project implementers, other donor organizations, NGO staff, individual enterprises, and other stakeholders. The team began with a briefing meeting with USAID mission representatives in each country.

Specifically, the evaluators were required to:

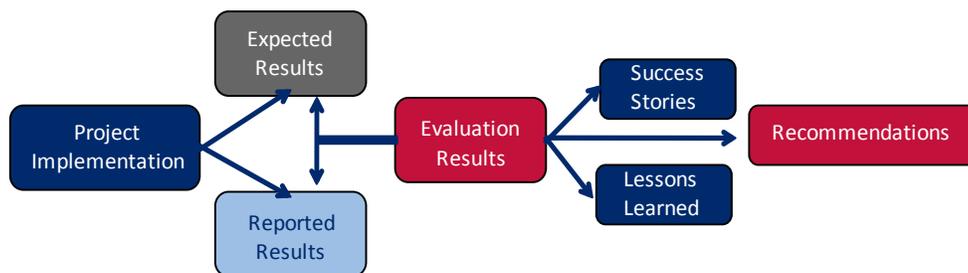
- a) evaluate the effectiveness of the implementing instruments in achieving their targets and goals;
- b) identify and prepare materials on success stories;
- c) identify best practices and lessons learned in all areas covered by the CAFTA-DR Program;
- d) provide key recommendations for future interventions to overcome regional trade barriers that could result in improved trade flows and increased incomes; and
- e) provide specific recommendations on what past and present interventions could have a direct or secondary impact on reducing poverty and improving food security and nutrition among the CAFTA-DR countries.

The consultants were also requested to include such recommendations in a Scope of Work for a future USAID activity that will serve as a framework for the design of a potential USAID-funded regional trade activity.

## **Section 2: Methodology**

The consultants used a results-matrix approach as a basic tool to guide the evaluation of the projects' achievement of predefined targets and goals. Based on the verification of results achieved, the consultants identified success stories, documented best practices and lessons learned, and discussed the options for future interventions. Based on this analysis, the consultants developed specific recommendations for future interventions that would have a direct or secondary impact on reducing poverty and specifically on improving food security.

**FIG.1 CAFTA-DR PROJECT EVALUATION RESULTS MATRIX**



The evaluators took into consideration two main factors that established differences between evaluated projects:

- 1) *Type of contracting vehicles*: USAID chose three different vehicles to channel its support to the bilateral and regional programs. Two of the projects evaluated were implemented by contractors: the Regional Trade Program was implemented by Chemonics; the bilateral program in El Salvador was implemented by Booz Allen Hamilton. The second approach was a government-to-government cooperation with the PAPA Project executed by the USDA. The third model was a Cooperative Agreement with SIECA.
- 2) *Regional vs. Bilateral*: Among the four projects evaluated, three were regional and one was bilateral. The Customs and Business Environment that Promotes Trade and Investment Project was a bilateral program in El Salvador implemented by Booz Allen Hamilton. The rest of the projects were regional.

### **Section 3: Main Findings**

#### **3.1 Bilateral Program for El Salvador Implemented by Booz Allen Hamilton**

##### ***Trade Capacity Building***

The project worked close to the Customs office and trained the ROO unit staff on international best practices for the implementation of CAFTA-DR Chapter 4 rules-of-origin procedures. Customs reported an improvement in its understanding of origin because of the training on auditing techniques applied to origin, training on verification of origin with regard to product cost, tariff classification of goods, and case studies on origin verification.

##### ***Rules of Origin (ROO)***

The project strengthened the management of verification of origin starting with a baseline analysis of the Rules of Origin (ROO) Department, including STI procedure rules, regulations, and methodologies, staffing etc and produced a proposal to restructure the department and recommended personnel profiles and skill sets. Based on this exercise produced an internal procedural manual to provide guidelines for Operational ROO by the DGA. According to Customs officials the assistance on this were considered breakthroughs.

##### ***Risk Management (RM)***

The project helped implement the RM module with the development of a Risk Management Cycle (RMC) methodology to facilitate the creation of —Certificates of Selectivity Criteria,” —Reports on Risk Criteria,” and the —Selectivity Committee.” Customs authorities increasingly use the reports to base their procedures and limit the procedures for extended inquiry to cases of reasonable doubt.

### ***Business Program Customs Enforcement (PACE)***

PACE is a good platform for Authorized Economic Operators and provides new approach to risk management building trust between Customs and reliable operators. Its application grew and over 37 companies were registered. Although changes in Customs officials had a negative impact in its operations and signing up for this project has become more difficult, this initiative should not be neglected or abandoned.

### ***Advance Rulings (AR)***

This procedure to expedite the flow of trade has also increased transparency in Customs in El Salvador. The AR document developed with the assistance of the project has the status of an official decision that is valid for a specific period of time. Of the three main Advance Rulings—tariff classification, origin, and valuation—only the first one is applied. The difficulties in implementing the AR Project are not particularly remarkable, past implementations in other countries have demonstrated that these systems initially experience difficulties.

### ***Recommendations***

The consultants recommend continuing working on activities to expand Private Sector Awareness of CAFTA regulations with tasks similar to the ones conducted by the project. Customs personnel rotation affects sustainability and needs to be addressed in future initiatives. Multilateralism is a great opportunity for the country and the region and needs to be understood by government and private sectors. A next level of training programs should be introduced including “train the trainers” activities or certification courses with established institutions following a public-private partnership approach.

## **3.2 The Cooperative Agreement for Compliance with Rules of Origin and Customs Procedures Implemented by SIECA**

### ***Rules of Origin***

The project achieved a major success with the updating of rules of origin to the 2007 version. Four meetings of the CAFTA-DR Origin Group in which this topic was addressed were based on the document prepared and submitted by SIECA. This activity was among the project’s most significant achievements. SIECA’s technical contribution was recognized by officials from various countries. The product was presented, reviewed, and approved by the Directors of Trade Agreement Administration and by U.S. authorities. The Free Trade Commission enacted CAFTA on February 22, 2011.

### ***Common Guidelines***

The creation of Common Guidelines for the Interpretation, Application, and Administration of Chapter IV and the Relevant Provisions of Chapter III of CAFTA-DR was also another project’s most significant achievements. The guidelines gave exporters and importers greater security regarding the valid rules in some chapters of CAFTA; these should be put into effect soon. These guidelines, which apply to all countries, were finalized and approved by the governments of the Latin American members of CAFTA. The U.S. government is considering them for approval.

### ***Completion of the Central American Uniform Customs Code (CAUCA) update***

SIECA coordinated the efforts carried out by the countries to approve the Central American Uniform Customs Code, known as CAUCA IV, and its regulation, RECAUCA. The updating of these documents is an important achievement for the improvement of customs operations. For example, it enables the use of digital files. It is a significant contribution to customs modernization.

### ***Development of tariff-opening proposals requested by the countries***

SIECA’s specialized technicians, in coordination with technicians from all the countries of the Central American region, supported the discussions for the creation of the corresponding tariff openings.

SIECA's technical assistance in adjusting the Harmonized System has been recognized as very effective. In all the countries, SIECA's work in this activity is very well regarded.

### ***Recommendations***

Various activities carried out by SIECA should be evaluated to be executed in the future in cooperation with the private sector in a public private partnership approach. A plan of assistance by other international organizations active in Central America, such as IDB and the European Union, should be coordinated. It is essential to continue with the training of private sector and government officials in rules of origin because there are many provisions that are still not well understood. GEDOEL needs short-term corrective actions; many potential users expressed interest in using this program. It is important to review some manuals developed and deepen their contents because some are too basic or do not help operators.

## **3.3 The CAFTA-DR Regional Trade Program Project Implemented by Chemonics (RTP)**

### ***Risk Analysis***

The technical assistance provided by RTP on Risk Analysis across the region had an overall successful impact. The activities carried by RTP allowed countries to set up the study of risk analysis and were able to incorporate it in customs activities, also this assistance provided Customs with work methodologies and the necessary technological developments to be able to assess more effectively the risks.

### ***Processing Times and Physical Inspections***

RTP assisted with the implementation of CAFTA procedures and regulations to have dispatches processed within 48 hours. However, importers reported delays of six or more days in Customs, they also experience delays with some seasonal products. In some countries, such as Guatemala, Nicaragua, and Honduras, authorities mishandle the documentation, in provincial Customs offices, the problems are worse.

### ***Customs Manuals***

RTP developed customs manuals for Honduras, Guatemala, and Costa Rica with complete information on customs procedures for the import and export of goods, the legal and regulatory framework, the application of free trade agreements, and rules of origin. Because of the usefulness of these manuals, their use should be disseminated. Their publication on the internet is recommended.

### ***Institutional Strengthening***

Various efforts conducted by RTP supported trade related institutions in Central America. Among the most relevant the evaluators found: i) in Nicaragua RTP supported the Verifications Unit, the project trained the staff in four workshops, the unit is operating and has already conducted eight verifications on different types of products; ii) in Honduras RTP supported the creation of the Risk Analysis Unit, iii) in the Dominican Republic RTP helped strengthen foreign trade management within the DICOEX by establishing the roles and duties necessary for implementation and administration of trade agreements and the design and adoption of a quality management system pursuant to ISO Standard 9001:2000.

### ***Recommendations***

The team of evaluators found essential to continue with training in rules of origin. Workshops must respond to the needs of each country and not be designed in a general format that is applied across the board in all countries. It is necessary to support the process of updating the rules of origin to the current Harmonized System as well as the tools to facilitate trade processes such as the GEDOEL and the virtual rules of origin course.

### **3.4 The USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards**

#### ***Resounding Success in all CAFTA-DR Countries***

The USAID-USDA PAPA for SPS Project was a resounding success in all CAFTA-DR countries for government officers working on inspection and certification. Direct beneficiaries' level of satisfaction was very high, and much crucial knowledge and experience were acquired by all beneficiaries in general, primarily in the public sector.

#### ***Breakthroughs in the Meat Industry***

Thanks to the USAID-USDA PAPA implementation, various breakthroughs were achieved, including meat regulation in the DR with a first plant already inspected and certified for export to Puerto Rico, and one laboratory enabled to conduct analyses of residues in beef.

#### ***Low-Hanging Fruit vs. Other Critical Areas***

The project did not address several critical areas of interest such as traceability because the implementation strategy was to pursue the "low-hanging fruit." Once this was achieved, USAID asked that yet another "low-hanging fruit" be addressed.

#### ***Pending Tasks that Offer Great Potential***

Areas with great potential for major impact in the different CAFTA-DR countries still need to be addressed in order to realize their promise. For instance: a) Honduras: obtain equivalence with the United States to export chicken breasts; b) Guatemala: control pesticide residues; c) Nicaragua: expand exports of dairy products and utilize CAFTA-DR quotas for peanuts; d) El Salvador: obtain equivalence with the United States to export pork *pupusas*; e) Costa Rica: complete the risk assessment for ornamental plants with stems longer than 18 inches; and f) Dominican Republic: obtain equivalence with the United States to export beef to Puerto Rico.

#### ***Project Needed More Specific Objectives and Stakeholder Cooperation***

Project design needs to be refined to include more specific objectives and measurable indicators of performance to assure relevance and impact and facilitate implementation, monitoring, and evaluation. Future PAPA agreements must include reliable mechanisms to assure stakeholder cooperation in programming and executing project activities and reporting systems to keep stakeholders informed in a timely manner about project implementation.

#### ***Stakeholder Involvement***

In order for regional projects such as the USAID-USDA PAPA to achieve results beyond expectations, the USAID missions in each country need to develop a sense of ownership for each project. This is only possible if regional projects somehow include the priorities of the individual USAID missions. The private sector must be taken into account as an implementer and beneficiary. Its inputs and ideas must be included in the design and implementation of projects, even if these projects are exclusively for the public sector.

#### ***Local Institutions More Relevant in SPS than Before***

SPS initiatives must weigh the strengths and weaknesses of the National Sanitary and Food Safety System (NSFSS) in each country in order to rationalize expectations about expected outputs and sustainability. This is more critical now because the new U.S. Food Safety Modernization Act (FSMA) requires the NSFSS in each country to have the capacity to provide the necessary environment to support compliance with the law. It grants the U.S. Food and Drug Administration (FDA) the power to veto a country as a supplier based on the capacity of its NSFSS.

### ***Private Sector and the New Focus on SPS Certification***

Other provisions of the FSMA that have practical implications and should be taken into account in the future include the recognition of private certification for SPS compliance. This opens the door for private certification systems such as Global GAP and eventually a Central American GAP (CA GAP) or even a CAFTA-DR GAP. In addition, the FSMA demands total traceability and the upgrade of the NSFSSs.

### ***Recommendations***

Future project design, in general, needs more specific objectives and measurable indicators; next project must include reliable mechanisms to assure stakeholder participation and cooperation. Design of regional projects must include bilateral concerns for USAID Missions to develop a sense of ownership to facilitate their participation in implementation. Country specific strategies and agendas are required for greater impact. The private sector must be included as beneficiary an implementer to complement the work of the local government agencies through public-private alliances. Inter-regional trade must be given high priority to increase CAFTA-DR utilization i.e. accumulation of CAFTA-DR quotas for export to the US. The National Sanitary and Food Safety Systems in CAFTA-DR Countries need to be improved and addressed as integrated systems to facilitate compliance with the new FSMA of the US.

## **Section 4: Way Forward**

### ***Five years in CAFTA-DR Implementation***

During the past five years, many changes occurred in the Central American and Caribbean region, not only as a result of the implementation of the CAFTA-DR Agreement and the accompanying changes promoted by the USAID programs evaluated in this report, but also as a result of the regional and global context of constant evolution.

### ***Physical Access to Food in CAFTA-DR Countries***

Food security has become a major challenge around the world. With the CAFTA-DR implementation, countries in Central America are starting to take some steps that will facilitate trade in the region and therefore the commerce of foodstuffs in a more expeditious manner and at a lower cost. However, there are significant infrastructure problems that will require a longer-term approach. Port infrastructure needs upgrading, the cost of energy is high, and the road network has deteriorated, contributing to long transit times within the region. The lack of feeder roads to bring field production to collection and/or packing centers causes losses and increases costs.

### ***Economic Access to Food in CAFTA-DR Countries***

Competitiveness is one of the major issues for farmers in CAFTA-DR countries. The great majority of production inputs are imported, as well as most of the equipment and machinery required for farming. As a result, farmers are highly vulnerable to foreign exchange fluctuations and other factors that affect international markets. Financing for production is also a critical limiting factor, especially for small growers. Interest rates are too high and commercial banks apply conservative practices to lend to growers. Services such as research and extension are weak, meaning that farmers have to use lower levels of technology or have to import technology to obtain better yields. All of these factors come together in a perfect-storm-like situation, as expressed in lower production outputs and higher unit costs that have a major effect on economic access to food.

### ***Food Safety not only for Exports***

CAFTA-DR made SPS mandatory to enable agricultural products to have full access to the U.S. market. International donors, especially USAID, mobilized to support capacity building in order to ensure that exported products were in full compliance. In this process, the food security of foreigners became more important than the food security of the local population (the paradoxical food safety double standard),

although a small trickle-down effect took place to make certain export by-products safer for local consumption. The gap between the sanitary and food safety systems for export and for local distribution grew wider, due in great measure to the skewed investment pattern used by international donors. Future programs should reinforce the mentality that food safety is also for the local and regional markets in Central America.

### ***CAFTA-DR: Main Driver of Intraregional Trade***

Intra-Central American commerce has experienced steady growth since 2004, but the greatest increase occurred in 2007 and 2008, after CAFTA-DR became effective. This demonstrates the treaty's positive effect on trade among the Central American countries. With the effectiveness of CAFTA-DR, the Central American countries have assumed the commitment to move forward with the implementation of a more developed, complete, and up-to-date commercial regulation. Likewise, they should also implement efficient, modern customs methods and procedures. The new regulation and commercial procedures are aimed at being applied to commerce under the framework of CAFTA-DR. However, with regard to the regulation, because it is also applicable among the Central American countries, it will help to improve the legislation applied in the Central American economic integration process, thereby filling the current gaps such as the lack of rules of origin for textile products.

### ***Coexistence of Agreements***

The negotiation and implementation of CAFTA-DR marks a significant difference in relation to other free trade agreements in force for the negotiating parties because it involves two countries (the United States and the Dominican Republic) and a region with a long history of economic integration of its five member states (Costa Rica, Guatemala, El Salvador, Honduras, and Nicaragua). In addition, Central America and the Dominican Republic implemented an FTA in 2001. This provides a scenario in which three commercial regulations coexist to govern trade among the United States of America, the Central American countries, and the Dominican Republic. The approach of USAID's future regional cooperation programs for Central America should continue its dual focus: the first is to support Central American countries in the implementation of the provisions of CAFTA-DR; the second is to support the consolidation of the Central American economic integration process. Working in both directions leads to the generation of synergies and complements both processes.

### ***Partners in Development***

During the past five years of USAID assistance to implement the CAFTA-DR Agreement, many stakeholders have developed to become effective partners in development and should be considered for future program activities. This local capacity is available for the next round of projects and should be utilized not only as support for future projects but also to promote them in PPP arrangements that can ultimately serve as the main force to sustain the projects in the future. These institutions and individuals serve as a repository of knowledge and as a reference for future development activities.

This Executive Summary covers the results of the assessment report. A second deliverable is presented separately; it discusses the Scope of Work of future USAID assistance addressing the short- and long-term needs in the new context of the CAFTA-DR region.

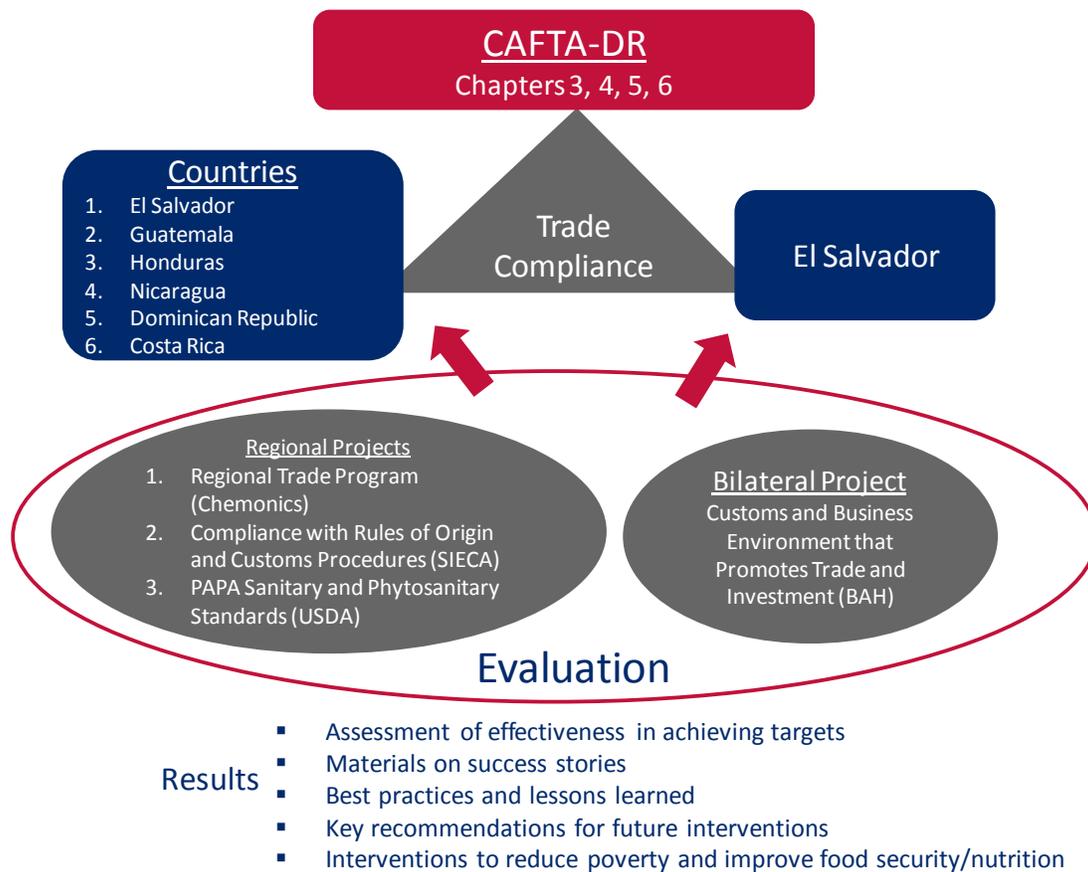
# I. PROJECT OBJECTIVES AND SCOPE

The present assessment has the main purpose of learning to what extent USAID assistance programs have helped the CAFTA-DR countries to comply with provisions in Chapters 3, 4, 5, and 6 of the Trade Agreement, and whether this assistance has improved trade across borders in the region, with the United States, and with other countries.

Specifically, the evaluators were required to: (a) evaluate the effectiveness of the implementing instruments in achieving their targets and goals; (b) identify and prepare materials on success stories; (c) identify best practices and lessons learned in all areas covered by the CAFTA-DR Program; (d) provide key recommendations for future interventions to overcome regional trade barriers that could result in improved trade flows and increased incomes; and (e) provide specific recommendations on what past and present interventions could have a direct or secondary impact on reducing poverty and improving food security and nutrition among the CAFTA-DR countries.

This evaluation focuses on four USAID-funded projects that are evaluated in individual sections in this report: (1) the CAFTA-DR Regional Trade Program Project (Chemonics); (2) the CAFTA-DR Bilateral Trade Program as part of the wider Customs and Business Environment that Promotes Trade and Institutions Project (the CBE Project, Booz Allen Hamilton); (3) the USAID-SIECA Cooperative Agreement for Compliance with Rules of Origin and Customs Procedures; and (4) the USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards.

**FIG.1. EVALUATION OF THE REGIONAL AND BILATERAL PROGRAMS TO SUPPORT TRADE COMPLIANCE UNDER CAFTA-DR**



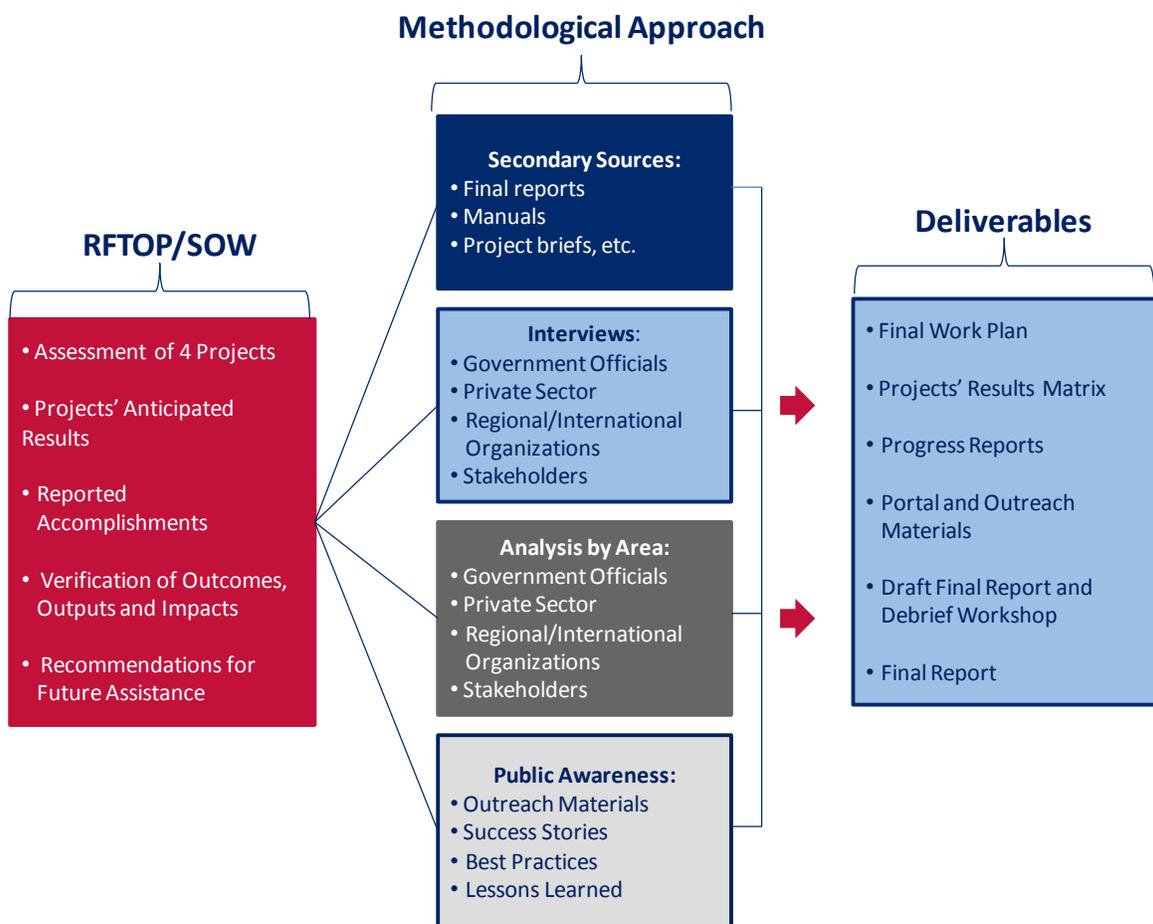
Before entering into the discussion of the projects, we present some considerations on the main differences among each of the projects that impact its implementation and help understand the final results. This report has a special chapter that discusses the regional context in light of three main areas of approach: food security, multilateral trade, and impact on stakeholders. Finally, we present a summary of findings and main considerations.

## 2. METHODOLOGY FOR EVALUATION

### 2.1 General Approach

After reviewing basic project materials and developing a detailed work plan, the evaluation team visited with the COTR and staff in the USAID Office in San Salvador to introduce the team members and agree on initial steps and the detailed functions and use of team members. The team presented to USAID a detailed work plan and allocation of responsibilities among team members, the evaluation methodology, schedules for visits to CAFTA-DR countries, and requests to USAID and project implementers for relevant documents. The team reached a final decision with USAID staff on the topics to be addressed in the evaluation and its report and on questions to be asked in interviews.

**FIG.2.1 PROJECT DEVELOPMENT FLOW CHART**



The team reviewed relevant literature received from USAID, governments, organizations, and enterprises on the progress and impact of the USAID-financed trade facilitation programs and training activities, with particular concern for impacts on governments, enterprises, communities, and regional and bilateral trade. This review included a detailed examination of national trade statistics (exports, imports) that reflect the reality of trade benefits or lack thereof under the CAFTA-DR Agreement. The team also prepared a list of key contacts for interviews, including USAID staff and other U.S. government officials, CAFTA-DR

government counterparts, project implementers, NGOs (especially American Chambers of Commerce, AMCHAMs), exporters' associations, and individual local businesses.

The team then visited each of the six CAFTA-DR countries for a period of one week (in the following order: El Salvador, Honduras, Guatemala, Costa Rica, Nicaragua, and the Dominican Republic) for in-person interviews with government officials, project implementers, other donor organizations, NGO staff, individual enterprises, and other stakeholders, beginning in each case with a briefing meeting with USAID Office representatives in each country. Primary information was obtained mostly through interviews with stakeholders and key informants who have relevant knowledge and experience with the Agreement. The team also debriefed USAID mission personnel in each country to share findings and obtain feedback for this draft evaluation report.

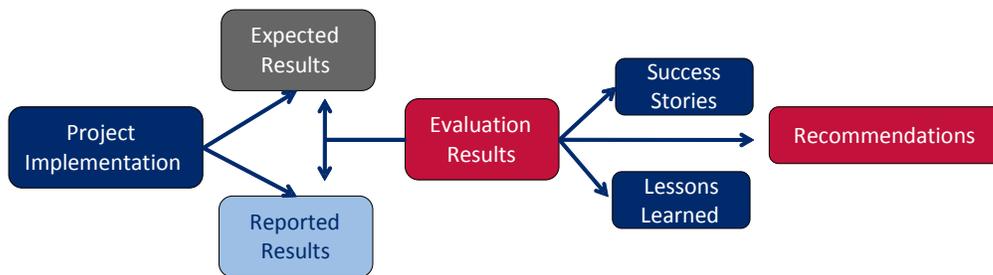
The market access specialist reviewed the implementation of Chapter 3 (National Treatment and Market Access for Goods) of the CAFTA-DR Agreement and evaluated: (a) the level to which national treatment is given to goods imported from signatory countries; (b) the extent to which non-tariff measures are eliminated; (c) the use of temporary admission and special customs regimes; and (d) the elimination of non-customs requirements for textiles and clothing. The specialist in rules of origin dealing with Chapter 4 and Annex 4.1 of the Agreement reviewed the implementation of the chapter from the standpoint of ensuring that the special tariff or other benefits of the Agreement actually accrue primarily to firms or individuals that produce or manufacture goods in the Agreement signatories' territories, and reflect the requirements of the CAFTA-DR Agreement. The same consultant reviewed the implementation of Chapter 5 dealing with customs administration and trade facilitation and concentrated on the extent to which the projects emphasize compliance with and harmonization of the rules and procedures of the customs administrations of signatories to the Agreement and their application of the customs valuation rules and procedures of Article 7 of the GATT/WTO rules for global trade. Finally, the Sanitary and Phytosanitary Standards expert focused his review on the implementation of Chapter 6 of the CAFTA-DR Agreement relating to sanitary and phytosanitary measures in each of the countries, especially their consistency with the requirements of the GATT/WTO Agreement on Sanitary and Phytosanitary Measures.

The present evaluation is limited by its Scope of Work, the time allocated, and the resources available, and as such is placed on a certain level of observation covering the four programs evaluated in all six countries. Detailed assessments of specific topics are beyond the scope and limitations of this assignment. The evaluators followed the methodology explained, starting with the review of secondary sources and interviews with nearly 300 individuals identified by their relevance as counterparts of lead authorities in the topics analyzed. The content of this report is the result of the prioritization of topics in the criteria of the evaluators, such as frequency of observation, relevance to the goals of the assessment for future activities, or other reasons mentioned in the report. Comments and quotes compiled from interviews were carefully selected as illustrative and representative of main ideas and assessments that the evaluators wanted to convey.

## **2.2 Results Matrix**

The consultants used a results-matrix approach as a basic tool to guide the evaluation of the effectiveness of the implementing instruments in achieving predefined targets and goals. Based on the verification of results achieved, the consultants identified success stories, documented best practices and lessons learned, and discussed the recommendations for future interventions to overcome the problems of implementation as well as additional problems that emerged during the implementation of the projects. Based on this analysis, the consultants developed specific recommendations on what past and present interventions could have a direct or secondary impact on reducing poverty and specifically on improving food security.

**FIG.2.2 CAFTA-DR PROJECT EVALUATION RESULTS MATRIX**



Upon completion of the field visits, the team prepared a draft report to be discussed with USAID at a meeting in San Salvador. All comments and remarks in the latter meeting are an integral part of the final report, together with the findings, success stories, problems identified, and sustainability of the results of the technical assistance.

## 2.3 Main Differences between Projects

### Three Types of Contracting Vehicles

USAID chose three different vehicles to channel its support to the bilateral and regional programs. Each of the projects was conceived to address a specific type of need and respond in a different manner to requests by governments and institutions. The results of each of the projects should be analyzed in light of this specific type of project implementation.

Two of the projects evaluated were implemented by contractors: the Regional Trade Program was implemented by Chemonics; and the Customs and Business Environment that Promotes Trade and Investment Project, a bilateral program in El Salvador, was implemented by Booz Allen Hamilton. The second approach was a government-to-government cooperation with the PAPA Project executed by the USDA Foreign Agricultural Service's Office of Capacity Building and Development (FAS/OCBD). The third model was a Cooperative Agreement with SIECA, a regional organization that represents governments in the region with a long-term relationship with USAID.

USAID's flexibility to choose the ideal contracting vehicle among the three mentioned above represents a great advantage that can maximize the benefits of one or the other. However, it also represents a risk that can cause delays of implementation or lack of effectiveness. USAID applies other schemes elsewhere (PPP, DCA, GDA) that can also be considered for the region. These are discussed in this report in the Way Forward section.

### Regional versus Bilateral

Among the four projects evaluated, three were regional and one was bilateral. The Customs and Business Environment that Promotes Trade and Investment Project was a bilateral program in El Salvador implemented by Booz Allen. The rest of the projects were regional.

The evaluation took into consideration the limitations and difficulties that a regional program entails when compared to a bilateral program including:

- lack of specific counterparts, i.e., local organizations, government agencies, etc.;
- interaction and coordination with multiple USAID missions;
- need to adapt any activity to the particular context of a country; and
- additional logistical effort in working in various countries.

### 3. USAID BILATERAL PROGRAM FOR EL SALVADOR (CBE)

The primary goals of the Customs and Business Environment that Promotes Trade and Investment Project (CBE) were to increase El Salvador's competitiveness and productivity and to take advantage of domestic, regional, and international trade opportunities, especially the CAFTA-DR Agreement. The CBE supported El Salvador's Customs Authority (*Dirección General de Aduanas*, DGA), the Technical Secretariat of the Presidency, the Competition Agency, the Consumer Protection Agency, and the Ministry of Economy. However, this evaluation focuses specifically on aspects of the CBE that promote El Salvador's implementation of its obligations and commitments under Chapters 3, 4, and 5 of the CAFTA-DR Agreement.

Under the CAFTA-DR Agreement, El Salvador committed to improve transparency and efficiency in administering customs procedures, including the CAFTA-DR Agreement's Rules of Origin. The country also committed to ensure greater procedural certainty and fairness in the administration of these procedures.

This chapter will evaluate the CBE's activities in relation to CAFTA's Chapters 4 and 5.

#### 3.1 Strengths and Weaknesses of the Program

##### Strengths

The main strengths of this program were the following:

- The project's scope was properly defined in terms of geography and theme. By focusing on one country, it was possible to target specific institutions and remain attuned to the country's needs. The project's objective was to support government institutions in the implementation of CAFTA-DR. The CBE's terms of reference were defined precisely and clear deliverables were set; this facilitated their achievement and the measurement and evaluation of their results.
- The program was effectively coordinated with Salvadoran Customs partly because they both operated from the same building. This proximity allowed close coordination and adaptation of the program's objectives to the changes and needs of local authorities. The executing agency retained most of its leadership throughout the project. There was one change in the project leader whose replacement was the supervisor of the former leader. Such limited rotation preserved the established management style and the program's goals. On the other hand, Salvadoran Customs played an important role in the project's execution by fully supporting the executing agency and the project. BAH properly coordinated its activities with the regional projects subject to this evaluation, particularly with the project developed by Chemonics. In this way it avoided duplicating other projects. It also enabled the efficient allocation of resources in various activities related to Article 5.2 of the chapter on CAFTA customs procedures. According to regional USAID officials, BAH executed 80 percent of the activities undertaken in support of CAFTA implementation in El Salvador.
- The USAID Office in El Salvador has a better understanding of the project's activities than any other national office in this evaluation. It appears that USAID and BAH were able to effectively communicate and coordinate the program's implementation. This was implicitly verified during the interviews, in which other projects were the subject of criticisms.

## Weaknesses

- During the project implementation period, there was a profound political change as a result of the new government. Its impact affected many institutions, including Customs which has traditionally been an institution subject to political pressure. These factors diminished the project's achievements over time.
- Staff rotation in Customs was an issue that negatively impacted medium- and long-term results. These changes included shifting staff members' work sectors or duties or terminating their activities within the institution.
- The project's sustainability has not been adequately assessed. In this sense, the results and ensuing actions remained in the hands of the institutions that were recipients of cooperation.
- The project's training component was coordinated and divided among BAH, SIECA, and Chemonics. BAH specialized in training government officials. Because of this distribution, BAH is not responsible for dissatisfaction with the workshops organized for El Salvador's private sector. Private sector and business chamber officials repeatedly described the workshops on rules of origin as superficial and repetitive.

## 3.2 Trade Capacity Building

Education and workshops were conducted for DGA/ROO unit staff on international best practices for the implementation of CAFTA-DR Chapter 4 rules-of-origin procedures for signatory countries and for textiles and apparel.

Training on rules of origin was coordinated with the SIECA and Chemonics regional projects. BAH was in charge of training the public sector. Insufficient information has been found to evaluate the training content and length and the quality of the instructors. Based on the limited information obtained, we concluded that the project improved Custom's understanding of origin. In fact:

- i) Customs reported an improvement in its understanding of origin because of the training on auditing techniques applied to origin, training on verification of origin with regard to product cost, tariff classification of goods, and case studies on origin verification.
- ii) Customs staff also received support through internships in other countries in the area of origin. This activity was carried out with coordination and funding from the Chemonics Project. However, attendance at these training sessions was limited to only a few individuals.
- iii) BAH organized workshops for a total of 150 participants and presented the customs guidelines, while SIECA presented the GEDOEL software at its own training sessions.

## 3.3 Rules of Origin (ROO)

The project carried out various activities related to rules of origin, including:

### **Strengthening the management of verification of origin**

CBE launched this subcomponent with a baseline analysis of the Rules of Origin (ROO) Department, including STI procedure rules, regulations, and methodologies, and the operational relationship to staffing and other departments within Customs. CBE produced a ROO proposal to restructure the department and recommended personnel profiles and skill sets.

- The project developed what Customs authorities considered an adequate proposal to restructure the ROO Department. It could not be implemented because of a lack of resources.
- The project's activities strengthened the capacity for verification of origin, enabling Customs to perform this procedure. The ROO Department conducted several verifications in the United States, Panama, and countries of the Central American Common Market. In the case of the regional countries, audits were conducted in firms of the exporting countries. In the United States these verifications were completed through questionnaires. As a result, companies that were denied tariff exemption resorted to appellate courts to manage and modify these verifications. However, in all but one case the outcome confirmed the verifications.
- Some business chambers considered that there is no discrimination in the implementation of verification of origin. Other organizations complained that Custom's selectivity was inconsistent and that up to 95 percent of their imports were reviewed.
- Customs also reported that it was able to conduct verification of origin at the country's border, a fact contested by other interviewees. In reality, those verifications should have consisted of a review of documents.
- The issue of origin has not yet been properly included in risk profiles. Only formal aspects related to the content of the certificate and the product's characteristics are being verified. This omission encourages greater discretion by Customs agents.
- Staff rotation has been high in the origin unit. The four people trained no longer work in Customs or have been transferred to other departments.
- Other areas of government believe that Customs has not yet synchronized procedures to conduct verifications of origin and that it needs to rapidly begin issuing electronic documents, which are part of the commitments agreed with the United States and the European Union.

#### **Development of an internal procedural manual**

- A manual was developed to provide guidelines for Operational ROO by the DGA and its unit dealing with international best practices for determination of origin of goods in compliance with Chapters 3 and 4 of the CAFTA-DR Agreement.
- According to Customs officials familiar with origin, the guidelines and materials developed by the cooperation were breakthroughs. However, they found the chapters on verification of origin insufficient. To them, these could be helpful to someone unfamiliar with the subject but not to experienced users. The issue should be addressed from a more practical or operational perspective.

#### **Implementation of CAFTA rules related to multilateralism**

There have been various reports on the difficulties of implementing CAFTA's multilateral provisions. Salvadoran Customs authorities are unfamiliar with CAFTA's regulations on free trade zones for products from other Central American countries. This is a serious shortcoming, as demonstrated by the process initiated by Costa Rica in connection with the importation of tires. In essence, Customs does not appear to recognize rubber as an input produced and originating in the United States.

### 3.4 Customs

Most program objectives on customs were achieved. The support even covered their implementation. Unfortunately, some officials who left the institution after the program's initiation resented some aspects of the program's development.

During the project, Salvadoran Customs authorities received technical assistance in the following activities:

#### **Risk Management (RM)**

- Salvadoran Customs authorities reported that this module was implemented on May 7, 2010. They use the RM software to control and facilitate multiple measures of RM. This helps Customs focus its efforts on physical inspections. In fact, it helped them increase their revenue while decreasing the number of inspections. It also helped identify critical areas of control and 3,813 infractions.
- Technical assistance for the implementation of the RM module was the result of a joint effort among BAH, Chemonics, and SIECA.
- The Chemonics Project helped develop this unit by conducting a study for the restructuring of its Risk Management Unit. Its execution adapted the unit to standards of international trade and improved its efficiency.
- A methodology for the Risk Management Cycle (RMC) was developed to facilitate the creation of —Certificates of Selectivity Criteria,” —Reports on Risk Criteria,” and the —Selectivity Committee.”

From the information received, various questions about the system's operations emerged. Despite the improvements in risk management, it was not possible to determine how these procedures were exactly operating in practice. For example, Customs authorities should use the reports to base their procedures and limit the procedures for extended inquiry to cases of reasonable doubt. Based on the information gathered during interviews, Customs authorities very often have doubts about these procedures. Furthermore, the extent to which the Risk Management Office's operations have been computerized remains unclear.

#### **Business Program Customs Enforcement (Programa Aduanero de Cumplimiento Empresarial ,PACE)**

This project provides Customs authorities with a new approach to risk management. Its goal is to establish a bond of trust between Customs and reliable operators who regularly comply with tax regulations.

PACE provides a good platform for the implementation of Authorized Economic Operator (AEO) programs, as recommended by the World Customs Organization (WCO). Its application grew and over 37 companies were registered. Changes in Customs officials had a negative impact in its operations. In fact, according to government officials and entrepreneurs, signing up for this project has become more difficult. This initiative should not be neglected or abandoned; instead, it is worthwhile to examine the possibility of strengthening it and eventually adapting it to the changing demands of the Organization of American States (OAS). PACE could serve as an initial phase of the work implemented by the OAS.

Former Customs Directors were in agreement on attributing PACE's current operational problems to the authorities responsible for its implementation. They do not point to BAH.

## **Advance Rulings (AR)<sup>1</sup>**

A module for AR administration was developed in order to strengthen this important CAFTA procedure. The AR document has the status of an official decision that is valid for a specific period of time. This procedure is advantageous because it reduces the uncertainty of private operators and the discretions of Customs officials in the clearance of goods. However, Customs documents have a very short period of validity, which does not encourage the use of AR. The work conducted by the BAH Project was unable to fully disseminate its use.

Of the three main Advance Rulings—tariff classification, origin, and valuation—only the first one is applied. The difficulties in implementing the AR Project are not particularly remarkable. Past implementations in other countries have demonstrated that these systems initially experience difficulties. The reasons for these temporary nuisances include the lag in Customs' adjustment to the system and in overcoming private operators' distrust.

## **Customs Practice Guidelines**

During interviews it was mentioned that this delivery was an important project achievement. The guidelines are a concise, easy-to-read document that describes to entrepreneurs the procedures available in Salvadoran Customs. Its purpose is to disseminate and facilitate private operators' access to expert knowledge on technical issues and on customs laws. The guidelines contain adequate information on all customs formalities, creating greater predictability and transparency in commercial operations. Copies of the guidelines are out of stock. Because of this success, Chemonics' regional project was subsequently adopted in other countries. Customs authorities in El Salvador requested an English translation of these guidelines.

## **Simplified courier procedures**

Several interviews with consultants and former Customs authorities indicate that current courier procedures do not comply fully with CAFTA requirements. These failures occur because the procedure itself is complicated; it includes large multinational courier companies (such as DHL, FedEx, and others) and post office boxes.

These services vary in terms of security, scanning, and control of transported goods. While the first type of company has an advanced control system that includes scanners, the second set is more precarious.

Some delays appear to persist with regard to consolidating containers. If a commodity is stopped, it delays the delivery of all of its products. The BAH Project drafted recommendations for Courier Procedural Guidelines. As reported by individuals interviewed, this report has not been implemented.

For Customs, the problem is that trade using couriers is small in amount but requires many people to supervise it. Other government sectors believe that there is not enough legislation on the issue, a matter that needs to be changed soon.

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<sup>1</sup> The Advance Ruling is a system that allows the importer to consult with and receive a response from Customs. Consultations can be on questions of tariff classification, value content, and rules of origin. Customs' answer has legal value. This response provides security to the importer, because he is told in advance what criteria will be applied in Customs.

## EsalPort

This software allows users to check the status and location of shipped goods. This tool encourages transparency in operations and load control. Customs reported that the system is fully operational in the Acajutla Maritime Customs; it is pending in other offices and is currently being improved, while the BAH report states, “USAID agreed that the air-cargo-only control panel was to be completed at the International Airport in Comalapa.”

### Other comments describing Customs operations:

#### *Reports about the lack of published standards*

- Business associations informed that the publication of customs rules is being delayed. This delays access and is contrary to the provisions of CAFTA Article 19.
- They also propose a direct allocation of USAID’s funds to groups of entrepreneurs to distribute the materials.

#### *Discretion in Customs operations*

- A research institute argued that in El Salvador, Customs supports its importers more than exporters.
- At border offices, a high level of arbitrariness mostly affects intraregional trade.
- Customs still lacks a set of standardized procedures. Processes make trade more predictable and secure. The only way to make Customs operations more efficient is to establish standard procedures.
- A lack of standardized procedures and Customs’ discretionary operations increase the chances of discriminatory treatment and of delays in the dispatch of goods.

#### *Customs regulations*

- Some interviewees believed that customs regulations are not sufficiently updated and even fail to meet some CAFTA requirements. In some cases penalties can be very high.
- Implementing a system of guarantees is recommended. Expedited reimbursement is advisable if the guarantee is not used.
- Another interviewee mentioned that it is imperative to restructure some areas of Customs; for instance, eliminating Customs’ responsibility to verify the origin of merchandise and other activities after they have been cleared. This implies a major change within the institution.

#### *Other relevant comments*

- A former Customs Director rated BAH’s cooperation “A+.” However, it is still necessary to implement its recommendations.
- A current manager qualified the works as “fabulous.”
- A former Free Trade Agreement negotiator believes that progress has been made with cooperation but much remains to be done. There is little progress because there is much to be done both in Central America and in El Salvador. (About a tenth of all necessary changes have been made.) It is necessary to improve policy, develop and update processes, implement laboratories, etc.
- The issue of rules of origin is crucial. Outreach activities, such as those sponsored by the Inter-American Development Bank (IDB) with its software, are necessary. Customs’ origin department is very weak and better-trained staff should be assigned. This lack of knowledge undermines its transparency and predictability, facilitating abuses and corruption. The training in the textile sector was very effective.

- Some regional cooperation programs were unable to properly assess the country's needs. A role for universities in these projects should be envisaged. USAID should monitor these operations closely because regional cooperation work was scattered and too general. Without proper focus, there is no efficiency.
- An important exporter said that it is necessary to train export providers in CAFTA's requirements. The workshops have improved the training of Customs officials but more workshops are necessary. Since there is no uniform level of training among Customs officials, criteria and procedures still vary.
- Customs brokers: This sector was left out of training activities. It handles many export and import shipments, works as a link between businesses and Customs, and advises the private sector. However, it is important to keep in mind that it is largely the brokers' responsibility to remain up to date on Customs operations.

### **3.5 General Comments**

It is necessary to continue the training on rules of origin for Customs officials and private operators.

- PACE has become less popular or its access has become very difficult. Several interviewees agreed that admission requirements are becoming excessive. Moreover, they experience more difficulties in contacting the PACE enrollment specialist. It would be advisable to relaunch PACE.
- Training sessions in the textile sector were very good.
- The level of understanding among brokers is not adequate. It seems that there is little interest in their training and in some cases they are not always willing to participate. Some interviewees even claimed that brokers did not want to expedite the procedures.
- Delays in the clearance of goods from Customs: There is often an excessive delay in the delivery of goods to the importer from the time they arrived at the port.

### **3.6 Program Sustainability**

This issue has not been addressed sufficiently. The project appears to have relied on the premise that these institutions would be capable of maintaining the activities and the project's deliveries in a self-sufficient manner. The current issue is to determine which organization or individual or project should or would be responsible for the continuity of the deliveries and other services rendered.

Some of the causes affecting the program's products sustainability are listed below:

- Budgetary restrictions limit the unit's application and establishment of new cooperation structures.
- High staff turnover hinders the workshop's reach and impedes the proper application of the concept presented.
- Changes in Customs directors and authorities sometimes modify the institutions' objectives and work style.
- There is an absence of third-party agencies, whether public or private, that track the development of new products or monitor their use and application.

## 4. USAID REGIONAL TRADE PROGRAM FOR CAFTA-DR IMPLEMENTATION (RTP)

### 4.1 Strengths and Weaknesses of the Program

#### Strengths

The strengths of the RTP implementation are listed below:

- The RTP Project conducted activities in all of CAFTA's member countries, with several achievements in the Dominican Republic.
- In Costa Rica, it conducted a wide range of activities despite the short implementation period due to the country's recent adoption of CAFTA.
- RTP conducted the difficult work of reaching consensus between the private and public sectors for the implementation of digital signatures in El Salvador and Nicaragua.
- Several sets of proposals with Customs procedures were drafted. These covered topics such as risk analysis, guidelines for importers, national reports on Advance Rulings, time measurement studies, etc.

#### Weaknesses

The weaknesses include the following:

- This project was not well coordinated with other projects. Some of the reasons justifying this assertion are:
  - The information collected during interviews with the top-level SIECA officials in charge of the project show that until 2009 coordination with SIECA was difficult.
  - Problems encountered during the final stages of the GEDOEL transfer, which interfered with its operation.
  - The lack of backup material on the training, which should have been coordinated.
  - Some overlapping with other donor-assisted programs.
- It repeated some of the activities developed by other cooperation activities, but did not clearly explain the need for such duplication.
- The high turnover of project coordinators weakened the project's continuity and sustainability.
- The materials developed on the topic of origin did not have a significant impact, GEDOEL is not working, and the virtual origin workshop is basic.
- There were errors in the identification of appropriate institutions to operate the Single Virtual Import Window (Spanish acronym VUVI). This diluted the results of this action.
- Nicaragua's Ministry of Commerce (MIFIC) was not adequately included in the project, even though it negotiated and implemented CAFTA and played an important role in previous USAID projects.
- The same consultants were hired to draft the manuals and lead the workshops. This limited the viewpoint, especially on verification of origin. Moreover, many of these consultants were Mexicans and often emphasized the Mexican experience in their presentations. This was criticized during the interviews.

## 4.2 Trade Capacity Building

In its report, RTP states: *“Working in conjunction with the Secretariat for Central American Economic Integration (SIECA), RTP designed and implemented training plans on origin issues for each country. These plans included holding theoretical-practical conferences and intensive seminars/workshops on rules of origin under CAFTA-DR. They were designed to impart, examine, and explain the technical aspects of rules of origin. These courses were always supplemented by consultation sessions to examine specific cases and answer any questions participating firms might have about their specific products. During the program period, RTP held 38 formal training events for a total of 2,300 participants including customs officials and agents, judges and magistrates, importers, and exporters.”*

As in the case of SIECA, no information was available about the workshops, their participants, their content or location. Recording this information helps to identify training organizers. Unfortunately, workshop participants were confused and could not identify them. See the comments on the workshops in the SIECA evaluation.

The feedback received from RTP activities had the following main remarks:

- Based on opinions of government officials and private sector participants, the workshops were superficial, contained a lot of repetition, and sometimes were not oriented to specific country circumstances (Mexico was constantly used as a reference but is not a CAFTA country).
- Key government participants in the trade sector, business associations, and Customs would not participate in such events.
- Government representatives mentioned that the workshops lacked a practical approach that could help them improve their performance.
- Together with the superficial content, some countries expressed the fact that some topics, such as accumulation, verification, short supply, value content, etc., were not properly covered

Nevertheless, during the interviews several successful workshops were identified:

- The abovementioned training of Origin Unit staff in Nicaragua.
- The Verification of Origin Workshop held in Costa Rica was praised and Customs authorities stressed that they could participate in the definition of content along with RTP. This partnership with the government was an activity not identified in other training courses and its absence was often criticized.
- The workshops to train judges were very important. The research on verification of origin may result in high payments for importers, who will seek an appeal in various forums (administrative, commercial, and chambers of commerce). In this context, it is important to train judges because verification of origin is a new component of the Commercial Law.
- RTP training in the textile sector was well received and very successful. This workshop achieved its objectives, created a positive image, and received praise from interviewees. The training was organized in two rounds of workshops: one organized by SIECA, the other by Chemonics. There was widespread agreement in all sectors related to the textile industry that the training workshops were very good, were focused on the right content, and contained appropriate content and depth. These training workshops were led by officials of the Customs Border Protection service.

## 4.3 Rules of Origin

### Support to El Salvador

The RTP Project consisted of two support activities: strengthening of the Origin Units, and the manual for verification of origin.

#### *Strengthening of the Verification of Origin Unit*

RTP worked throughout the program period to assist Customs Offices and treaty administration units in setting up or strengthening their Verification of Origin Unit.

According to the RTP report, El Salvador's Customs Office received the following support: *"Since its establishment in 2004 under the General Customs Administration of El Salvador (DGA-ES), the Verification of Origin Unit has been in a state of constant evolution. RTP targeted its assistance to this process in four areas:*

- technical training in verification of origin methods and job descriptions
- restructuring of the Origin Department so that it is endowed with a more comprehensive role to improve effectiveness and efficiency in the administration of the origin process and in the collection of applicable duties and taxes for goods that fail to meet origin requirements
- technical assistance to develop legal provisions relevant to Chapter 4 of the CAFTA-DR Agreement
- development of the Manual for Origin Control of Goods"

The project for El Salvador (CBE) was also part of this evaluation. Its final report states:

#### *"1.2 Fully Operational Rules of Origin Department*

- *DGRA Rules-of-Origin Unit fully operational (i.e., appropriate organizational structure, procedures, authority, operational and compliance guidelines and manuals, fully trained staff) in compliance with CAFTA standards."*
- *CBE launched this subcomponent with a baseline analysis of the Rules of Origin (ROO) Department, including its procedures, rules, regulations, methodologies, staffing, and operational relationship with other departments within Customs. Although DGA had a ROO Department since 2004, in 2006 it lacked operating procedures and manuals, and its staff was in need of specialized training. CBE produced a proposal to restructure the ROO Department, and recommended personnel profiles and skill sets. By mid-2007 DGA had made organizational changes to optimize the effectiveness of the ROO unit.*
- *In 2007, CBE consultants developed a Verification of Origin Manual (Manual de Verificación de Origen) which provided the ROO Department with the necessary processes to issue ROO decisions in compliance with CAFTA.*

In El Salvador, at meetings with the Director and Deputy Director of Customs the evaluators received a PowerPoint presentation (see assessment portal). In that presentation the work on *"strengthening the management and operation of verification of origin"* was adjudicated to Booz Allen Hamilton.

Both cooperation programs conducted similar work. It is not possible to determine whether they are complementary or duplicated because the BAH documents about organizational structure and procedures were unavailable.

### *Development of an internal procedural manual with guidelines for ROO*

With regard to the manual with guidelines for verification of origin, the former head of the Origin Unit in El Salvador's Customs Service reported that Mr. Rafael Insulza had prepared the manual. In the report on the CBE National Project, the evaluators also noted that the same consultant had prepared a separate manual for El Salvador on the same topic.

This shared authorship reveals another case of duplication of the work conducted by both cooperation programs. Since these publications were unavailable, it was impossible to assess the complementarity or duplication of the work performed.

#### **Support to the Dominican Republic**

The project supported the DR's Customs by strengthening the Origin Unit with two reports. The first described a model for a Verification of Origin Unit. The second was a manual on verification of origin. The Verification of Origin Unit has already incorporated the suggestions and the staff interviewed was very pleased with the results.

#### **Support to Nicaragua**

RTP's report does not mention the very successful work that was conducted in this country. The evaluation team found the staff well trained with in-depth knowledge of its functions. With RTP's support it has formed a Department of Origin. The project trained the staff in verification of origin during four workshops. This unit is operating and has already conducted eight verifications on different types of products.

#### **Guidelines for verification of rules of origin**

RTP's report stated: "RTP worked with the region's Origin Units to develop complete manuals on verification of origin tailored to each country."

Several of these guidelines refer to manuals of verification by country of origin. The manuals are general in nature and do not address each country's specific agreements. This is the case of the two different types of documents that are detailed below in the following table:

<b>MANUALS ON INSPECTION AND VERIFICATION OF ORIGIN</b>
CAFTA-DR_Manual de Fiscalizacion de Origen EL SALVADOR 9-10-09 - FORM.pdf
CAFTA-DR_Manual de Fiscalización Reglas de Origen_Jul08.doc
CAFTA-DR_Manual fiscalizacion origen mercancias importadas GUATEMALA.pdf
CAFTA-DR_Propuesta adiciones a Guia de Verificación Origen COSTA RICA.pdf
CAFTA-DR_Manual de verificacion de origen CAFTA-DR de la Dir.pdf
Manual_fiscalizacion_Origen_Merc_Imp_Trato_Preferencial_ElSalvador_Marzo_2008.
<b>METHODOLOGIES FOR AUDITING PLANS</b>
CAFTA-DR_Metodolog Base Elaboracion Planes de Auditoria de O.pdf
CAFTA-DR_Metodolog Base para Elaboracion de Planes de Auditorio.pdf
CAFTA-DR_Metodologia base para la elaboracion de planes (1).pdf
CAFTA-DR_Metodologia base para la elaboracion de planes de a.pdf

One of the objectives of this evaluation was to prepare a website that would include all the deliveries and services for the four projects evaluated. Prior to posting them on the internet, it is recommended that the contents be reviewed in detail to determine whether they complement or duplicate each other. If they are

in fact similar, it is recommended that they be merged. There are no apparent advantages to posting similar documents.

### Software tools dealing with origin

The project developed two deliveries in the form of software: GEDOEL and the Virtual Training Course on Rules of Origin. For these products, the evaluation's findings are listed below.

- 1) *GEDOEL*: SIECA's evaluation includes a review of the software, its coordination with Chemonics, its current status, and the opinions of local users. Since GEDOEL is currently not working, it could not be evaluated. From other interviews and documents, it was possible to draw the following conclusions:
  - a) Decision trees are a key element of the GEDOEL operation. Through decision trees—a binary system of questions that only accepts as an answer yes or no—GEDOEL explains the requirements of rules of origin. During a meeting with evaluators and a USAID official, SIECA's GEDOEL program operators described the revision of decision trees as a random sample review and not as a full review. Since exporters rely on decision trees to determine if a product is an originated good, the criteria to determine this condition are extremely important.
  - b) Evaluators received from SIECA the document: "Minimum Requirements to Manage the System GEDOEL", which in point 2.2 #5 describes the GEDOEL logic.: —The logic for the verification of origin by the end user considers the presentation of the decision tree questions one by one, which increases the time needed to complete the cycle of questions, so it is considered that the system will not appeal to the end users. Moreover, this logic goes against the principle that a computer system has to make the manual process at least 10% more efficient. Changing this system-level logic implies substantial changes to the programming level which represents costs in terms of time and human resources. "
  - c) The CAFTA Rules of Origin define the origin of a product in its Article 4.1 : —Article 4.1: Originating Goods Except as Otherwise Provided In This Chapter, Each Party Shall Provide that a good is Originating where: (A) it is a good Wholly Obtained or produced in the Territory of Entirely one or more of the Parties; (B) it is produced in the Territory of Entirely one or more of the Parties and i) each of the non-Originating Used in the production materials of the good undergoes an applicable change in tariff classification in Annex Specified 4.1, or (ii) the good satisfies Otherwise applicable regional value content and Stock or other Requirements Specified in Annex 4.1, and the good satisfies all other applicable Requirements of This Chapter, or (C) it is produced in the Territory of Entirely one or more of the Parties Exclusively from Originating materials.
  - d) Chemonics, in a document on GEDOEL, published two decision trees. The first is on dairy products and the second on textiles. The first question on both decision trees is ambiguous and can lead to incorrect responses in the compliance criteria. The second tree requires answers to 30 questions.
  - e) Program developers acknowledged that (i) this is an initial version that could be improved, and (ii) some questions may be confusing. As the software could not be assessed because it was not functional, a document prepared by Chemonics was used to review the logic of the decision trees.<sup>2</sup> In the two examples contained in the document's first question, each decision tree results in a confusing answer. That question is: —Is the input used for the manufacture of the product 100% originating from CAFTA-DR countries?" A producer using only inputs originating from CAFTA countries is expected to respond affirmatively (for instance, butter made from cream 100% originating from Costa Rica and Nicaragua). In that case, the software informs that the product is originating according to criterion (a). However, Article 4.1 of the CAFTA Rules of Origin shows that the goods in the example should be declared as originating according to criterion (c): —It is produced in the territory of entirely one or more of the parties exclusively from originating materials." Therefore, if the logic of the software has

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<sup>2</sup> Programa Regional de Comercio RD-CAFTA, Generator of Electronic Documents (GEDOEL). Project Definition. Report. February 2008.

not changed, some questions would be confusing, and the answer that the software produces would be incorrect because of lack of precision.

- f) The US\$1,500,000 savings mentioned in RTP's final report are not accurate because:
- The software does not keep a record of the certificates issued; it only tracks the number of times it has been used.
  - If the estimated certificates had been issued, the total amount of savings would only be US\$40,000, not US\$1,500,000 as indicated in RTP's report.
  - The evaluators have not received any information about certificates of origin being issued with this software.

2) *Virtual Training Course on Rules of Origin*: Those interviewed considered the training very basic and general. The CD only focuses on the basic concepts of a chapter on origin. It does not discuss the specifics of many important CAFTA articles.

People who were responsible for the development of the online course reported that:

- The software is not interactive.
- It was a basic introductory course.
- Since the issue of origin is very complex, it was preferable to develop a software program with greater mass appeal.
- A lack of funds limited the number of its modules.
- These new modules should focus on more complex aspects of origin, particularly CAFTA.

However, the report described the course's aim as a practical, modern tool designed to improve understanding of the ROO and to promote voluntary, informed compliance with the CAFTA Agreement. At the end of the course, it was expected that the user will be familiar with the provisions related to the three most important three elements of a preferential origin regime:

- Methods to determine the origin of a good.
- The supporting documentation used to demonstrate compliance with the ROO.
- The dispatch requirements governing an originating good.

The course was presented as ~~the~~ "the world's first e-learning tool on preferential rules of origin."

The evaluation recommends that both products be reviewed and adjusted to ensure that they are operational as soon as possible, in accordance with all requirements of CAFTA Rules of Origin. Its potential users expressed interest in its use.

## 4.4 Customs

### Risk Analysis

The RTP report stated: "*RTP designed, developed, and implemented a series of complementary computerized modules to improve risk management systems in the Customs Offices of El Salvador, Guatemala, Honduras, and Nicaragua. This was done in close collaboration with SIECA, which, with USAID support, designed and implemented basic risk management systems in Honduras and Nicaragua.*"

The following conclusions were drawn from the interviews:

- Risk analysis is another issue for which it is difficult to identify the individual contribution of each of the three projects evaluated. BAH was focused solely on El Salvador, where SIECA and Chemonics also operated. In the other countries, only SIECA's and Chemonics' functions overlap.
- Recipients often confuse the origin of the aid they receive.
- Altogether, the evaluated projects on risk analysis were successfully executed.

On June 21, the evaluators received a CD from the firm Chemonics with more than 65 documents that were produced for the project. Because it was delivered too close to the due date of this report, it could not be reviewed. A few of the documents were briefly reviewed to complete the assessment. For example, the documents on risk analysis include:

<b>REPORTS PRESENTED</b>
CAFTA-DR_Unidad de Manejo de Riesgo_CR_Jul08.doc
CAFTA-DR_Unidad de Manejo de Riesgo_Guat_Jul08.doc
CAFTA-DR_Unidad de Manejo de Riesgo_Nica_Jul08.doc
CAFTA-DR_Unidad de Manejo de Riesgo_RD_Jul08.doc
<b>SOFTWARE DEVELOPMENT<sup>1</sup></b>
Statistics applied in risk management
Creation of an Early Profile module
<sup>1</sup> . The use of these software programs varies from one country to another. In some cases, the profiles were not completed.

The evaluated projects on risk analysis were successful because they:

- Set up the study of risk analysis in the region and were able to incorporate it in customs activities.
- Provided Customs with work methodologies and the necessary technological developments.
- In some cases, Risk Analysis Units were implemented. Customs services benefited from these developments because they received the tools to operate and be more selective in their controls.

RTP's report includes a special mention of the —Successful Pilot Phase of the Risk Management System in Guatemalan Customs.” However, Guatemalan Customs reported that this system has been replaced by one that was developed by Korean consultants.

### **Offices' Processing Times and Physical Inspections**

Interviewees agreed that:

- a) Customs services have improved their work since the implementation of CAFTA. However, some have experienced setbacks in the last two years.
- b) There were criticisms of Customs: excessive tax collection, delays, and/or insufficient training and high turnover of staff.
- c) Some Customs authorities said their dispatches are processed within 48 hours, but importers do not always agree.
- d) Importers reported delays of six or more days in Customs. They also experience delays with some seasonal products.
- e) On occasion, the time for importers to receive their goods is longer than 48 hours. These additional delays are due to problems with storage, the work of Customs agents, and errors in documentation.
- f) According to the National Brokers' Association and the Bi-National Chamber, in some Customs services the delay for imports with a few documentation errors is excessive. This problem also occurs with goods in transit.

- g) In some countries, such as Guatemala, Nicaragua, and Honduras, authorities mishandle the documentation. For instance, Guatemalan and Honduran Customs sometimes do not allow an error to be corrected in an issued certificate of origin, or in some cases they request signatures from entities not required by CAFTA.
- h) In provincial Customs offices, the problems intensify.
- i) The rate of physical inspection of goods varied across the countries. Informants differed in their observations, each supplying very different data. The discrepancies in the rate of inspections are very large.

Notwithstanding the above observations, users in all countries reported improvements. At the same time, they reported significant frustrations, which demonstrate a need for prompt improvements.

### **Developing customs manuals to promote transparency**

RTP stated: *“RTP developed customs manuals for Honduras, Nicaragua, Guatemala, and Costa Rica. These manuals provide complete information on customs procedures for the import and export of goods, the legal and regulatory framework, the application of free trade agreements, and rules of origin.”*

In addition, El Salvador’s national project reported that it developed these guidelines in that country. The guidelines are very useful and have been well received, except in Nicaragua.<sup>3</sup>

Because of the usefulness of these manuals, their use should be disseminated. Their publication on the internet is recommended. It will be more efficient and useful if the documents are divided according to topics instead of being posted as an entire file.

### **Virtual Single Windows for Imports**

The International Trade Single Windows (ITSW; Spanish acronym VUCE) were first implemented in the 1990s. At that time, they merged all administrative procedures in one office. Subsequently, virtual single windows were incorporated, using software to link all institutions involved in foreign trade operations. Their setup costs at least US\$4 million, although these costs can increase up to US\$20 million, depending on their complexity. The ITSW require strong political support from the highest levels of government because is necessary to ensure the support of more than a dozen private and public institutions.

<b>WINDOWS EXISTING PRIOR TO THE DEVELOPMENT OF RTP’S ITSWs</b>			
<b>ITEM</b>	<b>EL SALVADOR</b>	<b>GUATEMALA</b>	<b>NICARGAUA</b>
<b>Operating Agency</b>	Central Bank	AGEXPORT	CETREX
<b>Features</b>	Public	Private (Business Chamber)	Public
<b>Start-up of operations</b>	1989	1998	1994
<b>Operations processed</b>	Processes all exports	Processes all exports	Processes all exports
<b>Activities</b>	All documentation for FAUCA	All documentation for FAUCA including electronic payments	All documentation for FAUCA
<b>Digital electronic signature</b>	Incorporation under way	Incorporation under way	Incorporation under way
<b>Mode of operation</b>	Internet 24/7	Internet 24/7	Internet 24/7
<b>Amount of operations processed per year</b>	Thousands	Thousands	Thousands
<b>Current status</b>	Developing import	Initiating export expansion	At stage of surveying

<sup>3</sup> A senior advisor to Nicaraguan Customs reports that in the second version of the guidelines he found 159 errors in its 48 pages.

WINDOWS EXISTING PRIOR TO THE DEVELOPMENT OF RTP'S ITSWs			
ITEM	EL SALVADOR	GUATEMALA	NICARGAUA
	module	studies	processes
<b>Interviewees with good image of their management</b>	Ministry of Economy; Customs; business chambers	AID National Office; Customs agents	COCEP; Customs agents

In this context RTP developed VUVIs. It is not clear why RTP chose to develop new VUVIs independent from those already existing. Results showed that this decision was not successful. The individuals interviewed revealed that VUVIs were set up differently in each country, but they did not work.

In addition, the majority of interviewees expressed their support and recognition for the Single Windows in the Central Bank of El Salvador, Agexport of Guatemala, and Centrex of Nicaragua. In El Salvador, the VUVI project was abandoned after a presidential decree authorized the Central Bank to develop an import processing module to process imports that will run in 2013. Similarly, Nicaraguan Customs officials reported that a VUVI was not installed because it never worked. ProNicaragua, an entity supported by the government, has set a priority for establishing a single window for foreign trade. This project is very recent and is still awaiting concrete decisions. It was mentioned that Centrex is one of the organizations participating in this new project. The exception is Honduras where VUVI continued to work.

#### Other Customs procedures

RTP's report stated: *“In recent years, the region's Customs Offices have been reformed and modernized through the implementation of new electronic Customs systems such as SAQB'E in Guatemala, SIGA in the Dominican Republic, Sidunea World in Nicaragua, and SARAH in Honduras. The use of these technological tools improves efficiency in Customs administration and facilitates trade. They must be implemented, however, in conjunction with new Customs procedures and processes.”*

The abovementioned CD includes several documents ensuing from RTP activities in support of Customs management. These include manuals covering national Customs procedures, Advance Rulings, assessment frameworks, diagnostics of institutional strengthening, plans for diverse legislative reforms, plans for monitoring, diagnostics of couriers, statistics courses, etc. Because several of these developments were not explicitly mentioned in the final report, they could not be assessed.

Nevertheless, these documents addressed issues of great interest to Customs and therefore some of them should be disseminated. Their circulation must be ensured through the constant replacement of authorities and staff in order to avoid the dilution of efforts. For example, several comments on the potential that exists in Advance Rulings are presented below.

#### Advance Rulings

The Advance Rulings (AR) are not specifically included in the report. However, the following documents were found in the information provided in the Final Report CD:

ADVANCE RULINGS MANUALS
CAFTA_DR-Manual Resoluciones Anticipadas Costa Rica_Feb10.pdf
CAFTA-DR_Manual 2 de resoluciones anticipadas Honduras_Ago10.pdf
CAFTA-DR_Manual de resoluciones anticipadas en Nicaragua (1).pdf
CAFTA-DR_Manual de resoluciones anticipadas en R. Dominicana.pdf
CAFTA-DR_Manual de resoluciones anticipadas Guatemala.pdf

The development of AR manuals was useful in the implementation of CAFTA procedures. AR facilitates trade for exporters and importers by making their activities in Customs more transparent and predictable. AR are legal determinations of tariff classification, value, or origin granted by Customs. They establish the treatment that a product will receive at the time of importation. AR are practically unused in the region. Although introducing these procedures is difficult, they help prevent discretionary measures.

It is important to promote the use of Advance Rulings. Since the groundwork is done, it is only necessary to promote it and provide the necessary training to its users. It is advisable to develop a software program for internet use.

### **Other activities**

RTP developed two activities in the Dominican Republic that were recognized by that country's authorities. It first strengthened the Department of Foreign Trade (DICOEX).

*“RTP helped strengthen foreign trade management within the DICOEX by establishing the roles and duties necessary for implementation and administration of trade agreements, including CAFTA-DR. Subsequently, RTP assisted in the design and adoption of a quality management system pursuant to ISO Standard 9001:2000. With the help of RTP, and after an adaptation and systemization period, DICOEX was granted accreditation under this international quality standard.”*

The second project consisted of outreach and lobbying efforts to approve the bill for the adoption of the Apostille Convention.

These activities in the Dominican Republic are part of RTP's achievements. The private sector and government officials expressed their satisfaction with the results. These activities were successful.

RTP reported the implementation of the “opportunity green light” as one of the main impacts of the program. The “maforo” is a very good instrument to select the gaps, delays, and achievements of different activities, or those required for the implementation of CAFTA. It is a mechanism that could be taken into consideration as a methodology helping to measure the effectiveness of technical assistance or cooperation. However, for its continuance or use in other projects, it should be noted that:

- The degree of compliance with the obligations should be measured in all countries, not just for some.
- The entity carrying out the evaluation should be independent.
- Government authorities do not always welcome the financing of control evaluations by other CAFTA members.
- Governments are not always willing to help identify and publicize their failures.

## **4.5 Program Sustainability**

RTP did not provide for the sustainability of its activities. Some of the activities do not require future updates but others do. It is necessary to promote public-private initiatives aimed at extending the activities. This alternative was not considered during the planning of RTP.

In the case of GEDOEL, the Memorandum of Understanding establishes SIECA as the agency responsible for its maintenance and updating.

## 5. USAID-SIECA COOPERATIVE AGREEMENT FOR COMPLIANCE WITH RULES OF ORIGIN AND CUSTOMS ADMINISTRATION/PROCEDURES (CROCUP)

### 5.1 Strengths and Weaknesses of the Program

#### Strengths

- The Secretariat for Central American Integration (*Secretaría de Integración Económica Centroamericana*, SIECA) is a long-established organization that was created over 50 years ago by the five members of the Central American Common Market (CACM): Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua. The CACM represents about 83 percent of Latin American participation in CAFTA.
- SIECA's mission is to provide technical assistance to governments and private institutions on Central America's economic and commercial integration. As the regional institution responsible for technical assistance on trade issues, SIECA was directly linked to the decision implemented by CACM countries. Choosing SIECA as CROCUP'S executing agency was one of the program's strengths. For example, one of its objectives was to enhance and facilitate trade within Central America, for which SIECA particularly stands out.
- CAFTA'S clause on multilateralism not only applies to trade between the United States and Central America but also to internal Central American trade. Therefore, this provision creates two coexisting regimes under the scope of preferential trade: CACM and CAFTA. Again, the choice of SIECA allowed it to be near and closely linked to the trade processes, decisions, and actions of those countries.

#### Weaknesses

- The project benefited from SIECA's experience with Central American trade problems, but paradoxically SIECA was also the project's weakness. Since SIECA is more of a technical institution than an executive one, its decisions are not binding and its actions cannot be enforced. As a result, this project's proposed regulations have not been implemented and the lack of implementation of some of the cooperation's projects should not be attributed to SIECA. Technical committees through which SIECA carried out many of the activities were approved by the cooperation. These committees are groups of technicians proposing to COMIECO a course of action, which they review and approve. Upon COMIECO's approval, governments implement the program and only at that time does it enter into force. For these reasons it is clear that the implementation of decisions is beyond the scope of the agency that USAID selected to execute the cooperation.
- SIECA's operational objectives are determined by its member countries and by their government officials who, working outside the organization, set its working priorities. This means that the support and political approval of member governments are essential for the implementation of the Secretariat's decisions and proposals. In light of the above, COMIECO, a committee composed of ministers of economy, is the body that decides and controls SIECA's operations. This setup has affected the project's achievements.
- Some of the work performed by CAFTA's working committees was delayed because of subsequent priority modifications. This occurred, for example, during the final stages of the negotiations between the Central American countries and the European Union.
- The Secretariat may have lacked effective leadership capable of ensuring CROCUP's independence from its routine operations. It was not possible to ensure both the steady and autonomous progress of CROCUP's objectives while its regular projects, such as CACM activities and other negotiations

(e.g., European Union), were ongoing. This change in priorities is not the Secretariat's responsibility but it weakens the project's results. SIECA's weaknesses impacted some of the activities carried out in support of the implementation of CAFTA chapters.

- The project considered the Dominican Republic on an equal footing with CACM countries. Nevertheless, its weak role in some of SIECA's operations was identified as a limitation to its performance. Dominican authorities from DICOEX (*Dirección de Comercio Exterior*) specifically mentioned this omission.
- SIECA has also been impaired by recent political crises, as evidenced by the dismissal of its former Secretary and the subsequent appointment of a successor without unanimous approval. These disagreements and conflicts interrupted COMIECO meetings and prevented the approval or enactment of new policies on regional work.

## 5.2 Relationship with the Program Implemented by Chemonics

With regard to coordination, SIECA officials mentioned, —It was very hard to get Chemonics to coordinate with SIECA. Only at the end, in 2009, was this achieved.” For their part, interviewees across the region considered some of the cooperation's activities to be repetitive, citing the training workshops as an example. These claims point to inadequate communication among projects.

Under the framework of this partnership, the transfer of the GEDOEL software was arranged. GEDOEL was developed so that internet users could determine the origin of goods in conformity with the Rules of Origin laid out in Chapter IV of CAFTA-DR in a simple and accessible consultation.” The conditions for GEDOEL's transfer were the subject of a second Memorandum of Understanding.

Currently, GEDOEL is not working. It was nevertheless possible to assess that:

- Chemonics developed the GEDOEL software.<sup>4</sup>
- The software was installed on SIECA's server. Its technical staff and origin experts were trained in its use.<sup>5</sup>
- During the transfer, Chemonics did not hand in the source programs to develop the queries but only those needed to update the decision tree.
- SIECA sent Chemonics a report with observations on both the data and the logic of the program.<sup>6</sup> Some of these comments were addressed while others were ignored.<sup>7</sup>
- SIECA's annual report states:<sup>8</sup> —Once each decision tree was reviewed, the software's functions were tested, and Chemonics was informed of SIECA's and the countries' observations, the GEDOEL system was launched and published on SIECA's website”.
- SIECA officials presented the software in all Latin American countries that are members of CAFTA.<sup>9</sup>
- The training sessions were conducted as if the software was in its final version instead of the —beta” version. These workshops were designed to introduce GEDOEL and launch its public use. The software was installed on SIECA's server and no operational or connection problems were reported.
- At some point, the software ceased to operate. SIECA's experts could not pinpoint a cause or the date of its disruption but they were able to identify outdated data, problems in the program's logic and the equipment's configuration, etc. These problems are not mutually exclusive and could be combined.

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<sup>4</sup> MOU Chemonics, SIECA and USAID, §II, ¶ 4.

<sup>5</sup> MOU Chemonics, SIECA and USAID, §II, ¶ 6

<sup>6</sup> MOU Chemonics, SIECA and USAID, §II, ¶ 7

<sup>7</sup> MOU Chemonics, SIECA and USAID, §II, ¶ 8

<sup>8</sup> Informe Anual Plan de Acción SIECA julio 09–junio10

<sup>9</sup> MOU Chemonics, SIECA and USAID, §II, ¶ 6.}

Several SIECA officials explained that improvements were impossible because they did not have the source program.

- With that in mind, one wonders why SIECA did not proceed to reinstall the version it had originally introduced successfully. The MOU specifically stated that it was SIECA's responsibility to keep GEDOEL operational, but for unknown reasons it has not complied.<sup>10</sup> Perhaps SIECA's loss of qualified technicians could help explain this deficiency.
- The software's inoperative status negatively affected its credibility. This calls for immediate action if its future use is contemplated. Moreover, this defect hindered the achievement of the program's objective.

In summary, despite the initial successes in the transfer and installation of the software and the training of SIECA's staff and users, there was not enough coordination to resolve the operational difficulties. A lack of communication could explain the failure to comply with the MOU.

SIECA officials also discussed their coordination with Chemonics on the Advance Rulings deliveries. While some SIECA officials claimed that this activity was transferred to Chemonics, its final report refers to the Guidelines for Management of Advance Rulings as one of its deliveries.

SIECA and Chemonics also partnered to organize training workshops, which will be discussed below.

### 5.3 General Comments

Interviewees have divergent views on the project's impact. While some recognize its achievements, a number of them also pointed to its deficiencies. Some deliveries were important and essential to CAFTA's implementation and operations. However, some interviewees question the effectiveness of certain actions or the role of SIECA. In defense of the Secretariat, it should be noted that because of its advisory role, this institution is not responsible for commissioning or implementing the deliverables.

It is important to highlight four deliveries as positive contributions: i) the updating of the rules of origin to the 2007 version, ii) the development and completion of the common guidelines in relation to CAFTA Chapter 5, iii) the completion of the Central American Uniform Customs Code (CAUCA) update, and iv) its regulation, RECAUCA. These tools are key trade facilitators, helping to create a transparent and predictable environment in commercial transactions while removing the potential sources of error and confusion. For example, the absence of updated rules of origin motivates discretion errors.

In addition, some of the people from customs, trade ministries, and the private sector who were interviewed were critical about various activities of this project, which failed to meet their expectations. They expressed frustration about the workshops, teaching materials, and software maintenance and updates. They also have doubts about SIECA's real capacity at the present time to work with technology.

Furthermore, the importance of some tasks in contributing to the implementation of CAFTA and/or the facilitation of regional trade has not always been properly recognized, as demonstrated by deliveries to create nodes of centralized information on web services for electronic sharing of information on customs risks and declarations, or in FAUCA transmittal (Central American Unified Customs Form).<sup>11</sup>

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<sup>10</sup> MOU Chemonics, SIECA, and USAID, §III, ¶ 6.}

<sup>11</sup> The FAUCA is a document used for the importation of goods among Central American countries. The project's goal is to transmit documents to SIECA, instead of directly to each customs post, by means of a connection linking various customs posts to a central node server available in the Secretariat. Although Customs Directors promote this activity, some senior officials of Trade Ministries, the former Director of Customs, and customs agents from at least

## Assistance on Rules of Origin

The project had the following objectives:

- *“Rules of Origin (Chapter Four): develop guidelines for harmonized interpretation, application, and administration of ROO.*
- *Disseminate information and guidance on how to help importers meet requirements for establishing origin (these could include webpages, training, technical assistance program, etc.).*
- *Support development and implementation of procedures for regional origin determination that are consistent with the WTO Rules of Origin Agreement and with the CAFTA-DR Rules of Origin Procedures.*
- *Support the development and implementation of procedures in accordance with regional classification with the WCO Harmonized System Convention and Procedures in accordance with valuation of the WTO Valuation Agreement.*

### *1) Technical assistance for the development and implementation of the Certificate of Origin*

Because the evaluator participated in this project, this will not be reviewed. (A review of the heading of SIECA’s document for the format of the certificate of origin is recommended. This document shows the format of the certificate that was agreed by the —Arcadel Pacifico” Group. This group is composed of 11 countries; at meetings organized by other institutions, the countries approved the format.)

### *2) Creation of Common Guidelines for the Interpretation, Application, and Administration of Chapter IV and the Relevant Provisions of Chapter III of CAFTA-DR*

This was one of the project’s most significant achievements. The guidelines gave exporters and importers greater security regarding the valid rules in some chapters of CAFTA; these should be put into effect soon. These guidelines, which apply to all countries, were finalized and approved by the governments of the Latin American members of CAFTA. The U.S. government is considering them for approval.

SIECA describes its role in its final report:

*—SIECA technicians drafted the Common Guidelines for the Interpretation, Application, and Administration of Chapter IV and the Relevant Provisions of Chapter III of CAFTA-DR.”*

For their part, government officials perceive this role differently. It reduces SIECA’s participation to logistics and points to its inability to translate the guidelines, a task which the Salvadoran Government took on.

### *3) Sustainability of GEDOEL software*

SIECA’s final report states, *“The Electronic Document Generator (GEDOEL) is an information technology system that is working through SIECA’s servers. This Secretariat will guarantee GEDOEL’s sustainability over time because it is in charge of the administration and maintenance of the system.”*

The information obtained from interviews revealed the following:

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three SIECA member countries found the triangulation with SIECA to be unnecessary and lacking any clear benefits. They also object that participation could violate the confidentiality of commercial operations by involving unexpected third parties. Third, they observed that some customs agencies, such as those of Guatemala and El Salvador, are already sharing their documentation directly, thus avoiding SIECA altogether. They also said, *—With this program, the Secretariat would achieve more prominence in commercial transactions.”*

- a) Government officials and businessmen reported that they had participated in national workshops in which the features of the GEDOEL software were introduced. Nevertheless, most participants never came into contact with the actual software. Some government officials even described the software as very basic, difficult to use, and time-consuming. Others argue that since they did not participate in its review, they could not endorse it.
- b) Most people consulted from all the countries were not aware of GEDOEL's current status. It appears that no exporter issued certificates using GEDOEL.
- c) SIECA officials informed that workshop participants did not use computers. The software was not user friendly and did not keep track of consultations. Former SIECA officials also reported that COMIECO approved the software and that SIECA hoped local technicians would approve the decision trees.

In short, the software operated on SIECA's servers for more than six months, during which time it was publicly launched at various workshops. Afterward, the software was no longer accessible on the internet. SIECA officials could not specify the cause that prevented it from reinstalling by using the same settings that were previously successful.

*4) Publication of the provisions on rules of origin of the goods on the websites of SIECA, the regional Customs Services, and the Administrative Offices of Trade Agreements*

SIECA technicians developed "*The ABCs of CAFTA-DR Rules of Origin*" manual, which contains, in a descriptive manner, the regulations on the origin of goods under CAFTA-DR Chapter IV.

As implied by its name, this is a very basic book. Some officials recognized and were familiar with its contents; others reported that they had received few copies. Furthermore, officials from various countries, such as Costa Rica, El Salvador, and Honduras, noted that this document was very basic. Neither does SIECA's CAFTA webpage on rules of origin have this document; that page is currently empty (accessed on June, 10, 2011).

According to reviewers, this book is a comprehensive document with basic concepts on origin. Its references to CAFTA are highly descriptive and general. The scope of the document is, as its title suggests, a basic document covering issues in a superficial manner.

*5) Theoretical and practical training for productive sectors and government representatives*

SIECA reported, "*In addition to the effort of producing manuals and guidelines on rules of origin and origin procedures, SIECA carried out a considerable number of region-wide training events and workshops. A total of 2,387 people participated in these activities from both the private and public sectors. Of these 54% were men (1,292), and 46% were women (1,095).*"

Evaluators asked SIECA for a list of the workshops' locations, dates, speakers, participants, and a description of the workshops' contents, but these were never provided. For the workshops focusing on origin and customs, SIECA delivered two documents detailing the initial training objective, the list of participants in one workshop, and copies of four presentations. SIECA provided no further information to confirm the number of participants or workshops. SIECA's annual report mentions around 40 workshops on origin.<sup>12</sup>

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<sup>12</sup> This difficulty in accessing information hindered the identification and differentiation of the training tasks performed by each project.

The table below shows the number of workshops conducted by SIECA on Customs and Rules of Origin issues:

Annual Report	Customs Workshop	Rules of Origin Workshop
2006/2007	32	9
2007/2008	60	20
2008/2009	10	4
2009/2010	4	6
TOTAL	106	39

SOURCE: SIECA, Four annual reports submitted to USAID

The following information was mentioned:

- Government officials and businessmen from all countries agreed that the workshops were superficial, short, too broad, repetitive, and sometimes contained excessive references to Mexico, which is not a CAFTA member.
- In some cases, Ministries of Commerce, members of Chambers of Commerce, Customs, customs brokers, and often the private sector would not attend. These absences vary from country to country.
- Some countries expressed the fact that some topics have not been adequately addressed, including regional value content, accumulation, verification, short supply, etc.
- A government official who participated in a workshop reported that a SIECA official spent three days traveling through various countries to distribute briefcases.
- Government officials indicated that the workshops lacked a practical approach that would help them improve their operations in tasks.
- However, SIECA's training in the textile sector was very well received and successful. This workshop achieved its objectives, created a positive image, and received positive comments from interviewees. In fact, the workshops developed for the textile sector with the help of CBP were widely recognized for the quality of the exhibitors, their depth and level of coverage. The training was organized in two rounds of workshops, one organized by SIECA, the other by Chemonics. There was widespread agreement in all textile industry-related sectors that the training sessions were very good, were focused on the right content, and had appropriate content and depth. These training sessions were led by officials from the Customs Border Protection Service.

*6) Adaptation of Specific Rules of Origin according to the Amendments to the Harmonized System of the World Customs Organization (WCO)*

*–SIECA prepared the document, „Technical bases for the adaptation of specific CAFTA-DR Rules of Origin according to the Fourth Amendment to the Harmonized System.’ Four meetings of the CAFTA-DR Origin Group in which this topic was addressed were based on this document.”*

This activity was among the project's most significant achievements. SIECA's technical contribution was recognized by officials from various countries.

The product created by CAFTA-DR's Origin Group was presented, reviewed, and approved by the Directors of Trade Agreement Administration and by U.S. authorities. The Free Trade Commission enacted CAFTA on February 22, 2011.

## Customs

In this chapter the final report stated, *“What did SIECA do? SIECA designed and coordinated a work plan for the years that the USAID-SIECA Agreement lasted. The Customs Committee formed by the General Directors of Central American Customs and USAID approved this plan.”*<sup>13</sup>

*“The project related to customs had three objectives:*

- *Support Chapter V compliance among CAFTA-DR countries related to customs administration (publicity, merchandise dispatch, automation, risk analysis, cooperation, confidentiality, express delivery, reviews and appeals, and anticipated resolutions).*
- *Support the development of common goals to achieve Chapter V requirements (prepare the working documents for the technical committees in order to promote harmonization among the countries).*
- *Disseminate information and guidance to the private sector on new customs procedures and norms. (This could be through brochures, seminars, webpages, etc.).”*

*The evaluation was based on the deliveries included in Chapter 2 of the report, “Support for the Implementation of Provisions on Customs Reform from Chapter V of the CAFTA-DR.”* Based on the information available, the following conclusions may be drawn:

- The confidentiality, review, and appeal activities are not included in the report.
- Only a few working documents were prepared for the technical committees. Officials agree that most of them were written by government officials. In these cases, SIECA provided logistical assistance or acted as a mediator when the countries disagreed on issues.
- Update to SIECA’s website on CAFTA: SIECA’s website on the Customs Procedures page only contains five documents (CAUCA, RECAUCA, Guidelines on Customs Procedures, Transporters’ Guidelines, Alphabetical Index of Products and Chemicals). In addition, evaluators received an electronic version of the Guidelines on Advance Rulings with the respective annexes and a Proposal Procedure for Expedited Delivery or Courier Service.
- The documents reviewed did not always specify whether a document was for the Central American market or for CAFTA’s Latin American countries. This uncertainty applies to several documents.

The deliveries obtained and their evaluations are described below:

### *1. Production and approval by COMIECO of the legal framework applicable to customs procedures established in CAFTA-DR (CAUCA IV and its regulation, RECAUCA)*

*The SIECA report stated, –SIECA, in coordination with the countries, articulated efforts to approve the Central American Uniform Customs Code, known as CAUCA IV, and its regulation, RECAUCA... These tools gather the best practices recommended by international organizations such as the World Customs Organization (WCO), as well as the new figures derived from OMA’s regulatory framework, the revised Kyoto Agreement, the World Trade Organization (WTO), and the different free trade agreements negotiated by the region, particularly CAFTA-DR.”*

The updating of these documents is an important achievement for the improvement of customs operations. For example, it enables the use of digital files. It is a significant contribution to customs modernization.

SIECA officials mentioned that their experts wrote a version of this work.

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<sup>13</sup> The evaluators did not receive a copy of this document.

Other interviewees reported the following:

- a) A government official said, —SIECA should always perform these activities; they are its functions. Moreover, the expenses incurred for traveling to the committee’s meetings were paid by each government. A team of directors was commissioned to produce RECAUCA’s work.”
- b) A customs official from another country reported that governments took on the operational responsibilities for this work. SIECA provided the logistical support.
- c) European Union officials reported that they covered the cost of having experts assist in this activity. The EU funded a consultancy in 2005. The ensuing report was published in the pages of the CONSUAC (Consolidation of the Customs Union) Project ([http://www.sieca.int/publico/CONSUAC/indice\\_informes.html](http://www.sieca.int/publico/CONSUAC/indice_informes.html)). The EU funds were executed before the cooperation of USAID. This coincides with what officials mentioned during interviews regarding the CAUCA and RECAUCA, which were initiated in 2002, prior to USAID’s cooperation.
- d) In short, CAUCA and RECAUCA have been approved and are currently in force. Government officials from at least El Salvador, Honduras, and Costa Rica agreed that SIECA did not make significant contributions to the technical aspects of these deliveries.

## *2. Production of the Uniform Customs Procedures Manual*

*“SIECA, in coordination with Central American authorities, created the design of 30 harmonized procedures according to CAUCA IV and RECAUCA, as established in CAFTA-DR. SIECA also coordinated and gave technical assistance to review and approve these harmonized procedures of the Uniform Customs Procedures Manual.”*

The handbook is an important outcome of the project. International trade experts consider it a very positive contribution. The procedures described in this handbook are, by their nature, general and should be implemented by the countries.

SIECA reported, *—The manual was published on time and no observations were received from any interested party, and that is why the document is fully approved. SIECA has recommended that countries generalize implementation to all of Central America.”*

Interviews and document reviews revealed the following:

- a) A customs official reported that the countries should implement the procedures described in the manual.
- b) A government official from another country: —This project has been in development since 2002 and is part of the daily routine of customs experts. The procedures were developed as part of the Customs Union.” The official is not aware of the differences between Customs Union and CAFTA procedures.
- c) The Regional Action Plan of the Central American Customs Group for 2011–2012 scheduled for the first and second halves of 2012 the —adoption of the Manual on Customs Procedures (subject to review and the identification of priority areas of implementation).”
- d) SIECA’s website on CAFTA contains a document that is open for government review.
- e) It is therefore appropriate to question SIECA’s assertion in its final report confirming the manual’s approval.

In short, the manual is completed but may not be approved.

### *3. Technical assistance for the implementation of the automated system and procedure for courier-mode clearance*

In the final report, SIECA stated: *“In support of what is established by this article, SIECA worked on identifying the requirements and designing the automation process... Once the requirements were identified, SIECA developed the concept design (cases of use) to develop an automated system. This was submitted to the Customs Committee for consideration.”*

Officials' views vary. Some point to deficiencies in the regulations, others praise it as an improvement, and still others say that couriers are victims and that this study made no contributions. Finally, some argue that in case of an objection all goods in the container are halted. There is no clarity on the issue. Little progress has been made and more information is required to properly assess the status of the topic.

SIECA's proposal is informative and contains an introduction and a list of steps. It does not report on activities, proceedings, or future steps. It does not specify if it is meant for the internal Central American markets or for CAFTA.

### *4. Implementation of the Customs Risk Analysis and Rating System (SAVA) based on international best practices and the WCO*

Risk analysis is another issue in which it is difficult to identify the individual contribution of each of the three projects evaluated. BAH was only focused on El Salvador where SIECA and Chemonics also operated. In the other countries only the functions of SIECA and Chemonics overlap. Recipients often confuse the origin of the aid they receive.

For example, in interviews with Customs officials in El Salvador, authorities denied having received assistance from SIECA or the SAVA system, but they recognized by name a consultant (Mr. Camacho) for SIECA who provided technical assistance in risk analysis. These confusions demonstrate flaws in linking the deliveries to their projects.

SIECA reported that it had conducted several actions on risk analysis in four countries of the Common Market. The fifth country, Guatemala, is apparently being assisted at present. Mr. Camacho's consultancies are often mentioned because of his experience and expertise.

There are mixed reviews regarding the SAVA risk analysis system. This system, developed by SIECA, was funded by a grant from Guatemala to the region. SIECA first installed the system in Honduras where it was improved. Subsequently, it was installed in Nicaragua and in 2010 it was installed in Costa Rica and El Salvador. The software was improved each time.

All the evaluated risk analysis projects were successfully executed because they:

- Set up the study of risk analysis in the region and were able to be incorporated in customs activities.
- Provided customs services with work methodologies and the necessary technological development.
- In some cases, risk analysis units were implemented.
- Customs services benefited from these developments because they received the tools to operate and be more selective in their controls. Selectivity in controls is a basic requirement for operators in various countries. They consider the creation of selective controls to be an important improvement in customs clearance.

Some interviewees felt that the criteria for risk application were random, sometimes even discriminatory or altogether misapplied. This criticism dealt with the application of risk analysis and not the activity

itself. The project's objective was to develop risk analysis units. Therefore, it is fair to conclude that the programs have met their goals, making this another successful project. Many tasks and improvements still need to be conducted.

*5. Development of the proposal for the Mutual Assistance and Technical Cooperation Agreement between Central America and the United States*

*"SIECA developed the proposal for the Mutual Assistance and Technical Cooperation Agreement between Central America and the United States, which allows information exchange to improve foreign trade control."*

Evaluators did not receive a copy of this document nor have they received any comments or reports from Customs.

*6. Implementation of the regional CAFTA-DR web services node for electronic sharing of information on customs risks and declarations*

*—A web-based computer services system was implemented to allow electronic sharing of information to support the risk management process and to have better control of foreign trade operations."*

SIECA officials reported that the project involved the development of a website to access a database. The website is not ready to upload databases. Some doubts exist in some institutions about the "legality" of this transfer of information about risk. As mentioned previously in this report, CAFTA limits the type of information that can be published and circulated about infractions or offenders. There is an exception for infractions to regulations on textiles.

*7. Implementation of regional fiscal routes database*

*—SIECA computer technicians achieved the successful implementation of a web-based computer system that allows online changes to the databases containing the fiscal routes that countries set up for the international transit of goods throughout the region."*

SIECA did not supply any additional information or website on this matter, beyond its report. We are unable to assess the outcome of the product.

*8. Actions were coordinated for the implementation of the electronic exchange of the Central American Unified Customs Form (FAUCA)*

*"SIECA offered technical assistance to Central American countries to come up with the concept of a system for electronic exchange of customs documents. Implementation of the system began with FAUCA at both the procedural and the computer systems level through the implementation of a Telematic 2 platform."*

Current and former SIECA officials thought the software was ready, but the system still had problems with document signing, tariff nomenclature, and unit codes. These problems delayed its launch.<sup>14</sup>

Various former Chiefs of Operations and Customs Directors, and Trade Ministers from at least four regional countries object and consider that a project incapable of signing documents is useless. In

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<sup>14</sup> In July 2011, after this evaluation, El Salvador began to send its electronic FAUCA through SIECA without digital signature

addition, some of them explained that SIECA relied on these systems to remain relevant and maintain its prominence.

Customs brokers considered this an unnecessary intermediary measure; they thought that controls should be conducted differently. For them, SIECA's over-reliance on governments interferes with its impartiality.

A director of a single window said, —FACA cannot operate under these circumstances. The system should not rely on SIECA.”

In short, both the system and its implementation have been criticized. However, according to SIECA's report, this work was requested for the Group of Customs Directors.

#### *9. Development of tariff-opening proposals requested by the countries*

*—SIECA's specialized technicians, in coordination with technicians from all the countries of the Central American region, supported the discussions for the creation of the corresponding tariff openings.”*

SIECA's technical assistance in adjusting the Harmonized System has been recognized as very effective. In all the countries, SIECA's work in this activity is very well regarded. There is a clear difference between the work done in this area and that done in other areas. Instead of its logistical support as in other cases, SIECA'S technical assistance was recognized.

#### *10. Offering technical assistance for SAC updates and modifications*

*“As a technical entity for various Central American forums, SIECA provides technical assistance in every integration subject. In that sense, SIECA offered support for the development of tariff openings.”*

Same as above. There is a general recognition of SIECA's work. All the tasks with SAC were very effective. Deliveries 9 and 10 were important and fundamental for the implementation and operations of CAFTA. SIECA has provided excellent technical assistance and support.

#### *11. Training for public and private sectors on CAUCA IV and its regulations, as well as on customs procedures*

Evaluators asked SIECA for a list of the workshops' locations, dates, speakers, and participants, and for a description of their contents. SIECA has not provided this information. For the workshops focusing on origin and customs, SIECA delivered two documents detailing the initial training objective, the list of participants at one workshop, and copies of four presentations. SIECA provided no further information validating the number of participants or workshops. SIECA's annual reports mention around 100 workshops on origin.<sup>15</sup>

Interviewees made the following comments:

- Government officials and businessmen from all countries agreed that the workshops were superficial, short, too broad, and repetitive.

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<sup>15</sup> This difficulty in accessing information prevented the identification and differentiation of the training tasks performed by both regional projects.

- A USAID Office received complaints about the superficial contents of the workshops during the second year. These complaints were transmitted to the organizers. Nevertheless, the claimant reiterated that the content of the workshops did not subsequently improve.
- Some bi-national chambers (AMCHAM) and some customs brokers were unaware of the training sessions.
- Honduran National Customs staff mentioned that some workshops dealt with about 5 of the 20 articles in CAFTA.
- A common criticism was raised mainly by government officials who pointed out that the workshops lacked a practical approach that would help them improve their task performance.

#### *12. Customs services and SIECA's websites with updated information*

*“SIECA, in coordination with officials from the region's different customs authorities, established a follow-up mechanism for the information that customs services have to make known to their users, particularly regarding changes to customs legislation and regulations, and general administrative procedures implemented or in the process of implementation.*

*In addition, for the purpose of having customer service offices that offer effective and timely information, SIECA gave each country a model for the creation of such offices.”*

SIECA's website on CAFTA is insufficient in terms of content. For example, many of the documents mentioned in the final report are missing and it does not contain the changes to customs legislation.

Delivery requires improvement and work because no technical complexity is required. National customs services have websites that are not linked to this project.

#### *13. Technical assistance to carry out various meetings: COMIECO, Vice Ministers, Customs Committee, and Technical Groups*

*In its report, SIECA stated: “For the purpose of articulating efforts, and given its experience and convoking power to work on Central American economic integration issues, SIECA has provided technical assistance and follow-up to the Action Plan established by the Council of Ministers for Central American Economic Integration (COMIECO). According to this work plan, SIECA is responsible for coordinating, articulating, and managing institutional efforts in order to attend different meetings.”*

Based on the comments from interviews, it may be stated that several of the comments made in previous paragraphs refer to SIECA's technical contributions to working groups and committees. This assistance was irregular because in some cases it provided technical support while in others it provided logistical support.

## **5.4 Program Sustainability**

The project's guidelines did not include any provisions for its sustainability. Therefore, neither SIECA nor the government had any liability according to the established commitments.<sup>16</sup>

For adequate sustainability it is important to keep in mind the following considerations:

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<sup>16</sup> The only exception to this statement is the abovementioned memo about GEDOEL.

- a) Most commitments consisted of manuals, rules, training, and the establishment and implementation of procedures. Their challenge was their setup because many of these do not require frequent or major updates. Governments are responsible for these updates.
- b) It is important to improve the dissemination of the deliveries, which should always be available to users, especially in the private sector where there is constant need for information on customs, rules of origin, etc. This can be accomplished with the development of websites.
- c) Maintaining information on the internet requires technical and financial resources. It is also necessary to consolidate services and create a predictable environment independent of political events or of changes in governments or in the institutions' authorities.
- d) It is advisable to share some products with business associations so they can publish them on their websites.
- e) The majority of SIECA's committees on customs and rules of origin are permanent. SIECA provided technical assistance to these committees. To keep the scope of the deliveries within CAFTA, the participation of the Dominican Republic should be considered. This requires specific actions because the regulations on Central American integration do not allow SIECA to provide technical assistance to nonmember countries.
- f) The Memorandum of Understanding among USAID, Chemonics, and SIECA assigned to the latter institution the task of keeping GEDOEL updated. However, to date this had not been implemented.

## 6. USAID-USDA PARTICIPATORY AGENCY PROGRAM AGREEMENT FOR SANITARY AND PHYTOSANITARY STANDARDS

### 6.1 Strengths and Weaknesses of the Program

#### Strengths

- The USDA-PAPA for SPS Project was dynamic and reactive. These positive attributes were made possible by the fact that work plans were prepared every three months rather than on an annual basis.
- The level of expertise and knowledge of project implementers and trainers was very high.
- The USDA as an implementer applied subtle political pressure on the different CAFTA-DR countries, resulting in a smoother implementation process. It also gave the Project Coordinator access to high-level government officials, including ministers.<sup>17</sup>
- The cost of resource persons to provide technical assistance and training was low because the participating U.S. government agencies bore the cost for salaries and professional fees. The project only paid for the logistical support of those involved.
- The training program was very practical and hands-on. It was designed and implemented to meet individual but significant needs related to inspection and certification within the public sector of the different CAFTA-DR countries, and to address U.S. government concerns on the safety of imported products from CAFTA-DR countries.

#### Weaknesses

- The USDA PAPA for SPS Project was oriented primarily to the public sector of the CAFTA-DR countries. Participation by the private sector, as ~~the~~ “makers of trade,” was minimal and was related to providing support to the training of public sector officers such as training venues in production sites and processing plants.
- Many serious areas of concern in every CAFTA-DR country were not addressed by the project. An example of several of these comes to mind: the DR has a ciguatera problem in some species of fish and the Ministry of Health has limited resources to deal with this serious risk for the export of fish to the United States and for the consumption of fish by tourists in hotels and restaurants in the DR.
- USAID did not allow the project to work on inter-regional commerce because the project’s main objective was to enhance bilateral trade with the United States. However, the multilateral nature of CAFTA-DR and its provisions for the accumulation of quotas promote inter-regional trade and provide great potential to increase exports to the United States from CAFTA-DR countries. From this perspective, the exclusion of activities to enhance inter-regional trade was a project shortfall.
- No work was allowed within Costa Rica due to USAID restrictions, even though Costa Rica joined CAFTA-DR late and requires assistance to catch up to the other CAFTA-DR countries. However, Costa Ricans participated in training events in other countries and some regional workshops were held in Costa Rica.
- The information collected by the team indicated that most of the project’s efforts were focused on the three meats (beef, pork, and chicken) due to the fact that the United States asked CAFTA-DR countries for equivalence on SPS to facilitate U.S. exports of meat into the region. Meats are the main products of the livestock sector. Nevertheless, the project’s efforts in other areas, such as pesticides and tomatoes and peppers under plastic, were outstanding.

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<sup>17</sup> Personal communication with Daniel Orellana, Project Coordinator, USDA-PAPA for SPS.

- The project agenda did not vary from country to country. The same training programs were repeated in every country, not taking into account individual country priorities, well-established sectors, and each country's comparative and competitive advantages. This approach diminished the relevance of the interventions and the impact resulting from them.
- Even though the project addressed critical SPS areas and concerns in inspection and certification, the initiatives and activities undertaken were individual in nature and did not correspond to a concerted effort to create a better domestic sanitary and food safety environment for CAFTA-DR countries. It seemed such initiatives and activities only answered U.S. concerns about receiving safer food products from CAFTA-DR countries and increasing the flow of its own agricultural products to the region. In fact, the United States specifically asked CAFTA-DR countries for equivalence for the three meats: beef, pork and chicken.

One of the greatest weaknesses of the USDA-PAPA for SPS Project, as a regional project, was that it was not in agreement with the priorities of the USAID Missions in the different CAFTA-DR countries. These priorities are framed under the food security initiatives (Feed the Future, Partnerships for Progress, etc.), are mostly focused on small growers (capacity building), and include the following areas of interest:

- development of value chains
- value addition
- application of international standards
- market access support
- inter-regional commerce
- certification of productive processes (SPS, ISO, and organic)
- support to groupings of small growers (clusters, associations, etc.)
- increasing the competitiveness of small producers

## **6.2 Capacity-Building Assistance**

A very practical and operational type of assistance was provided by the USDA and collaborating agencies that participated in the implementation of the project. The training program was the main mechanism to deliver project assistance and was aimed at addressing the capacity needs of the public sector to facilitate market access in each CAFTA-DR country. The process of selecting subject matters for training was thorough. Ministries participated in the contents of the training by listing their needs. Based on these listings, a three-month program was designed. Input from the U.S. government agencies involved in providing the training was then obtained through their review of the plan. The agencies also evaluated whether a requested subject matter was ready to be addressed or if groundwork was needed to reach the desired level of expertise before the particular subject matter could be addressed in the training program. After this process, the Trade Capacity Committee would approve the training. USAID participated in the big picture by making sure of the relevance and impact of the proposed program. The trainers or resource personnel for the training sessions were provided by the participating U.S. government agencies. Four support persons in Washington assisted the Project Coordinator with the implementation of training activities.<sup>18</sup>

The training sessions were thorough and the amount of time devoted to them was sufficient to allow the trainers to address the subject matters in depth and to give participants the opportunity to become immersed in the subject matter both academically and practically. Most of the sessions were courses lasting four to five days. There were also applied sessions in which trainees went to a production site

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<sup>18</sup> Personal communication with Daniel Orellana, Project Coordinator, USDA-PAPA for SPS.

and/or a processing facility to learn. In a few instances, the training was one-on-one, pairing an enterprise with a trainee to troubleshoot a particular problem. Through these training sessions, participants were able to gain permanent knowledge and learn to apply it in their day-to-day work activities.

The project used two means of training public sector officers: bringing experts into the countries to conduct training and sending trainees to other countries to train. In addition to courses, short seminars, and workshops, USDA experts also paid technical visits to production sites and processing plants. The private sector mostly received seminars that, according to participants, lacked intensity and depth. These events mostly addressed general subjects on requirements to export to the United States.

The project placed special emphasis on increasing the capacity of national laboratories through dedicated resident experts who spent time in the different laboratories to train technicians and to implement the subject matters that were taught. The evaluation showed that this activity or series of activities had the greatest project impact on direct beneficiaries.

Nevertheless, little emphasis or training was provided on the new U.S. Food Safety Act, especially for the public sector, and very little work on traceability took place.

The content of the training program can be separated into several broad categories for evaluation purposes:

- equivalence of sanitary and food safety standards
- enhancement of the diagnostic and analytical capacity of laboratories supporting the SPS effort
- surveillance of pests in tomatoes and bell peppers produced under plastic
- management of pesticides and maximum residue levels
- detection and monitoring of biological contaminants
- quarantine and epidemiological surveillance

### **Equivalence of Sanitary and Food Safety Standards**

Equivalence, a critical pillar of the WTO Agreement on SPS, was perhaps the main SPS concern addressed by the project to enable two-way market access for a good number of products through CAFTA-DR. Specifically, the United States asked CAFTA-DR countries for equivalence for the three meats: beef, pork, and chicken. Equivalence has been defined as “the mutual recognition of different but equivalent measures to achieve international standards.”<sup>19</sup> To recognize each other’s standards, countries must first compile them in a document called a regulation and/or protocol. The USDA-PAPA for SPS Project assisted CAFTA-DR countries in reviewing existing standards and recommending new standards, and in the drafting of the regulations and protocols required in the equivalence process. This effort was carried out mostly to promote trade in beef, poultry, and dairy products. The evaluation questioned the project’s emphasis on the equivalence for beef and dairy products in all countries, because only Nicaragua and Costa Rica have significant beef and dairy industries with the potential to fulfill export quotas to the United States and to have a major impact on the utilization of the treaty. Nicaragua, in particular, is by far the largest producer and exporter of beef and cheese through CAFTA-DR.

### **Enhancement of the Diagnostic and Analytical Capacity of Laboratories Supporting the SPS Effort**

SPS compliance is monitored in most instances by chemical and biological analyses designed to diagnose diseases and detect and measure contaminants. These analyses are performed in national and private

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<sup>19</sup> Evans, Edward A. 2004 revised 2009. Understanding the WTO Sanitary and Phytosanitary Agreement. IFAS. University of Florida, Gainesville, Florida.

laboratories and their capability and reliability are crucial indicators of a country's overall sanitary and food safety capacity. In that sense, laboratories are the backbone of SPS compliance and safeguard the scientific component of SPS. USDA assistance to national and private laboratories to increase their capability and reliability was perhaps the highlight of the USDA-PAPA for SPS Project. Direct beneficiaries rated this assistance with the highest possible marks. The satisfaction level was always 100 percent in each country. Relevant old procedures were reinforced and required new procedures were put in place. Personnel were trained hands-on to carry out these procedures. As a result, existing equipment was upgraded and reliable quality control systems were implemented. Where possible, a network of public and private laboratories was made operational in order to increase diagnostic and analytical capacity to support higher levels of trade.

### **Surveillance of Pests in Tomatoes and Bell Peppers under Plastic**

During the early years of CAFTA-DR implementation, the United States granted clearance for the import from CAFTA-DR countries of tomatoes and bell peppers produced under the protection of plastic. The training under the USDA-PAPA for SPS Project was aimed at pest monitoring and management practices to comply with the Mediterranean Fruit Fly Surveillance Protocol required by the United States to maintain infestations at acceptable levels in order to take advantage of the market access opportunity given through the clearance. Inspections of shipments to detect the presence of the fruit fly were also carried out together with the certification of packing plants. Unfortunately, tomato prices have been lower than expected, forcing the farms to concentrate on bell peppers. In any case, production under plastic has not really taken off in CAFTA-DR countries, except perhaps in the DR. In Central America, farms are still small and not expanding rapidly, perhaps because the cost of establishing a farm is somewhat too high to allow a good number of farmers to participate in this opportunity. Work is currently under way to simplify the technology in order to make it more accessible to small farmers and to make the production units smaller. Taking all these parameters into consideration, efforts made by the project in this area of interest had only a small impact. This raises questions about the rationale to choose this initiative in the first place.

### **Management of Pesticides and Maximum Residue Levels (MRLs)**

Residues left in food from pesticide use are a constant threat to the health of all consumers in exporting and importing countries. That is the reason for the development of maximum residue levels as a threshold beyond which consumer health is in jeopardy. Awareness of this issue is high in importing developed countries and both buyers and consumers in these countries demand preventive measures at the production end such as good agricultural practices (GAP). The USDA-PAPA for SPS Project addressed this issue thoroughly in the fields by offering training in GAP, in the laboratories by increasing their capability to detect MRLs, and at the national policy level by assisting CAFTA-DR countries in the development of proactive legislation and regulations on the control of pesticides. It is also worth noting that despite the training efforts made by the project, problems with high residue levels from pesticides continue on arrival at U.S. ports of entry from products coming from several CAFTA-DR countries, especially the DR and Guatemala.

### **Detection and Monitoring of Biological Contaminants**

Harmful biological contamination of food is undoubtedly the greatest food safety concern worldwide and is also the cause of the majority of food safety-related incidents. As with pesticide residues, the project addressed this issue thoroughly in the fields with training in GAP, in the laboratories by implementing new and state-of-the-art procedures for the diagnosis and monitoring of *E. coli* and *Salmonella* contamination in food products, and at the regulatory level by assisting in the issuance of norms and regulations to manage potential problems.

## Quarantine and Epidemiological Surveillance

Diseases are a menace to the national security of countries. Surveillance to prevent the entry and spread of such threats is the principal protective mechanism. The presence of certain diseases in a country is also a trade obstacle. The project focused its assistance and training on the eradication of Classical Swine Fever in pigs and on the health surveillance systems for Newcastle disease, avian influenza, laryngotracheitis, and infectious bursal disease of poultry. These diseases have the potential to block trade and prevent equivalence.

### Project beneficiaries mentioned the following training sessions as the most relevant:

- workshops on good laboratory practices and on diagnostic and analytical techniques
- courses and workshops on Good Agricultural Practices for clusters producing fruits and vegetables
- courses on the management of pesticides and on prevention of maximum pesticide residue levels (MRLs)
- equivalence of regulations for beef, dairy, and poultry products to allow export to the United States from CAFTA-DR countries
- courses on laboratory procedures (residue analysis, microbiological assays, etc.)
- observation trip to Chile by government executives to learn firsthand about the Chilean SPS system
- workshops and technical visits; assistance on compliance with phytosanitary standards for tomatoes and bell peppers produced under plastic
- workshop and pre-audit visits on HACCP certification for meat and milk processing plants
- drafting of equivalence protocols for beef, dairy, and poultry products
- harmonization of veterinary diagnostic techniques for the CAFTA-DR region
- workshops on food labeling requirements for admission to the U.S. market

## 6.3 Program Sustainability

Several factors control the probable sustainability of the USDA-PAPA for SPS Project, even though CAFTA-DR governments have initiated programs, sponsored by international donors such as the EU and the IDB in addition to USAID, to improve the region's SPS capacity and have stepped up efforts for the harmonization and equivalence of SPS throughout the region:

1. Personnel rotation and turnover are critical problems in all CAFTA-DR countries except perhaps Costa Rica where the Civil Service Law is enforced. These problems reduce the availability of trained officers, after considerable investments have been made in the individuals, to continue to support the efforts made by the different governments.
2. The resources available to the different government units involved in SPS in the different countries, with regard to terms of personnel, vehicles, and equipment, are not enough to provide the coverage and the depth of service required to make permanent changes toward a suitable level of SPS efficiency to sustain and increase international trade.
3. SPS government units work in compartments, protecting their own turf, and are reluctant to share know-how and resources with other units. Some of these units pursue bilateral funding from international donors for their own benefit.
4. Only exporters in CAFTA-DR countries have a mandatory sanitary and food safety mentality, but they lack the culture and conviction to "live and die" by SPS principles and norms. The weaknesses of the National Sanitary and Food Safety Systems in CAFTA-DR countries are caused by a lack of political will to impose effective domestic measures, an antiquated legislative platform that allows noncompliance with basic regulations and norms by food producers and food handlers, budgetary

restrictions to implement deep and crosscutting measures, and a very limited demand for food safety from consumers. These weaknesses prevent the rest of the population from acquiring the culture, mindset, and attitude necessary to establish an effective and efficient national SPS system that provides a permanent environment in which better and safer domestic and regional products are demanded, resulting in increased international food trade.

#### **6.4 Factors that Kept Implementation from Achieving Greater Progress toward Targeted Results**

The following are some of the main factors that affected the impact of the USDA-PAPA for SPS Project:

1. Project objectives were vague and broad in scope. For example, the project called for two policy reforms analyzed with U.S. government assistance, but did not narrow the options to reflect project priorities, such as policy reforms related to the safety aspects of beef handling.
2. The project lacked an Activity Manager and/or point of contact in each country. The reason for this lack was that the budget did not allow for a Project Coordinator or Activity Manager in each country.
3. Many activities lacked better participation because they were not known and were not promoted to beneficiaries, particularly within the private sector. It was apparent that there was a lack of information dissemination and exposure related to the project, perhaps as a result of not having an Activity Manager or a point of contact in each country.
4. USAID stakeholders complained of not receiving information such as periodic reports, work plans, etc. The communication mechanism set up for the project was that the Project Coordinator would send work plans and reports to the USAID Regional Office in El Salvador and to the USDA Offices at the Embassies in each country. The USAID Regional Office in El Salvador would, in turn, send reports to the missions in each country. It appears that this procedure failed.
5. Coordination of project activities was weak. It was even difficult to obtain country clearance for visits by the Project Coordinator. Most of the time, he had to contact beneficiaries directly to coordinate project activities. However, the USDA Office at the Embassy in the DR stated that it organized activities for the project. According to that office, a total of 40 activities were implemented.
6. Private sector participation was hindered by legal matters because the U.S. government wanted to restrict certain information to participants from the public sector only.
7. The project relied heavily on the Project Coordinator as the dominant, frontal figure. This created the impression of a “one-man show” rather than an integrated U.S. government initiative. In fact, to many stakeholders and beneficiaries, the project was known only by the Coordinator’s name.
8. The SPS needs of inter-regional trade among and between CAFTA-DR countries were not addressed. This issue was addressed in the new USDA-PAPA for SPS Project, which includes the SPS needs of both the intra-regional market and the U.S. market. This project was designed based on visits to the different countries by the U.S. government agencies involved in implementation. Specifically, the new project will look into the harmonization of SPS regulations at the regional level and will resolve pending issues from the previous project. The new U.S. Food Safety Act will not be addressed until the implementing regulations are in place. In El Salvador, the new project will concentrate its efforts in the area of maximum residue levels (MRLs).

## 7. CONCLUSIONS AND RECOMMENDATIONS

### 7.1 USAID Bilateral Program in El Salvador (CBE)

#### Conclusions

The following conclusions stem from the evaluation of the activities undertaken by CBE to facilitate the implementation of CAFTA Chapters 4 and 5:

- 1) The project's scope was properly defined in terms of geography and theme. Its focus on one country made it possible for the project to concentrate its efforts on specific institutions and the monitoring of the country's needs.
- 2) The program was effectively coordinated with Salvadoran Customs partly because they both operated from the same building. In addition, an important aspect of the BAH Project was the continuity and consistency of its leadership since there was only one change in project leader.
- 3) The sustainability of the actions achieved has not been adequately assessed in all project issues.
- 4) Coordination between the Chemonics and BAH Projects was effective.
- 5) The project's activities strengthened the capacity for verification of origin; risk analysis enabled Customs to perform these procedures.
- 6) Some regional cooperation efforts were unable to properly assess the country's needs. The role of universities in these projects should be considered.
- 7) Businessmen informed that there was a delay in the publication of customs rules, which has lately disrupted access.
- 8) According to Customs Directors, the training workshops were good but they will require additional training on issues related to origin and customs. The private sector confirmed this because it considers this issue to be critical. In fact, some Customs officials and brokers as well as some exporters and importers are not aware of many aspects of origin. This has become an obstacle to many business operations. Training workshops should also include providers of merchandise to exporters.
- 9) The lack of understanding of origin verification creates problems in CAFTA's application.
- 10) This lack of understanding of origin explains unequal treatments. This is especially the case in Customs Offices located outside the capital city and disrupts intraregional trade.

#### Recommendations

- 1) For various reasons, staff turnover is high in Customs. As a future objective, we recommend including workshops dedicated to "training the trainers" in order to create a self-sufficient system of staff replacement. It is important to include representatives of business chambers and universities in these activities. This is another issue that could be addressed through public-private partnerships.
- 2) It is important to develop systematic control operations as well as activities to improve customs clearance, using authorized economic operator (AEO) programs, advance rulings, electronic certification, etc. Reconsideration is recommended on whether or not control responsibilities taking place after the importation, such as verification of origin, should be transferred from Customs to other ministries.
- 3) Training and dissemination on the multinational scope and implications of CAFTA are recommended because there are some problems in its applications.
- 4) It is advisable to follow up on the PACE initiative to ensure its proper implementation, because it could help in the subsequent implementation of the AEO. In fact, PACE's accomplishments to date could be a first phase of the AEO's implementation.
- 5) It is recommended that customs guidelines be reviewed and updated for more effective and broader distribution. Developing an educational portal on the internet would also further increase readership.

- 6) Advance rulings are a procedure to help correct the delays, discretions, and “contingency” in customs clearance. It is very important to increase the efforts to achieve greater acceptance of its use. Advance rulings are tools that contribute to trade facilitation. They also help Customs become more effective in its inspections. The selective control aims at reducing the number of inspections and increasing their effectiveness.
- 7) It is necessary to encourage more private–public partnerships for the implementation of some deliveries. This would apply for their implementation and maintenance.

## **7.2 USAID Regional Trade Program for CAFTA-DR Implementation (RTP)**

### **Conclusions**

The main conclusions drawn from the evaluation of RTP are presented below:

- 1) RTP conducted a wide range of activities covering the appropriate countries in the region. It developed some important issues for the implementation of CAFTA.
- 2) The training program in the private sector did not meet expectations. Nevertheless, it was difficult to differentiate among the executors of regional projects. Some of RTP’s successes in this area are highlighted above.
- 3) The GEDOEL and virtual course deliveries are also in a similar situation. Both are good initiatives but they did not meet users’ expectations. Both products need to be improved in order to meet the needs and interests expressed by users.
- 4) It was reported that RTP repeatedly changed its program leaders. These changes impacted its coordination with other projects, monitoring and follow-up on different issues, and the scope of its final report.
- 5) The repetition of some RTP activities in El Salvador’s national project was atypical. It was impossible to discern if these activities were complementary or duplicated because the reports on both projects do not refer to this duplication.
- 6) RTP’s decision to draft national reports for regional customs procedures requires more resources for its execution. While these might generate additional benefits; much coordination will be needed to enhance their results.
- 7) For several activities, the studies and suggestions were not implemented. This aspect is not necessarily a responsibility of RTP because their implementation needed government approval. Nevertheless, some needs have not yet been resolved.
- 8) The numerous activities conducted and the documents drafted should be further exploited. The diagnostics and information collected, for instance, are good starting points for future actions in support of the implementation of CAFTA.
- 9) In most of the projects of other organizations, some of the thematic areas addressed under this project did not deliver immediate results. These include training the private sector in issues of origin, implementing new customs procedures, etc. Nevertheless, it is essential to conduct these activities in new and more specific projects.
- 10) The high turnover in Customs personnel reduces the impact of training programs and creates new difficulties. Nevertheless, they often take positions for which those acquired skills remain relevant. In that sense, the efforts are not lost but rather are simply redirected.

### **Recommendations**

- 1) Closely monitor the implementation of technical projects such as RTP. The quality, applicability and consolidation of the deliveries, especially the technical developments, should be controlled on a regular basis.

- 2) The implementation of similar projects needs to be coordinated.
- 3) Outline structured training programs, including their goals, content and exhibitors, in order to:
  - ensure the diversity of the speakers' opinions
  - ensure the adequate scope and depth of issues presented
  - examine participants regularly throughout the program in order to improve the workshops based on their results

These evaluations should be conducted by an independent agency such as USAID.

- 4) Conduct an in-depth analysis of the documents produced for RTP with government officials and the private sector in order to:
  - determine their technical precision and map the exact themes discussed to identify possible areas of interest or need and the support needed for their implementation
  - identify the appropriate institutions to ensure technical and technological capacity to complete pending projects such as GEDOEL and the Virtual Training Course on Rules of Origin Course
  - after reviewing RTP documents, promote them among the public and private sectors using educational and simple software

### **7.3 USAID-SIECA Cooperative Agreement for Compliance with Rules of Origin and Customs Administration/Procedures (CROCUP)**

#### **Conclusions**

A synthesis of the findings of this evaluation is presented below:

- 1) The project achieved several of its objectives. Undoubtedly, the role of customs and ministries was very important in achieving these successes.
- 2) Only a few working documents were prepared by SIECA for the technical committees. Government officials agree that most of them were written by regional experts. In these cases, SIECA's work consisted of providing logistical assistance and sometimes acting as a mediator and/or conciliator of the countries' divergent views.
- 3) The SOW project stated, "USAID recognizes that SIECA will, in many cases, achieve the desired results through its existing working groups on risk, valuation, information technology, legislative matters, and transit, among others." The selected working mechanism was the committee, which was not under SIECA's authority. The Secretariat only provided the committees with technical assistance and logistical support. For that reason, SIECA is not responsible for the delays in the implementation of some deliveries, which were in reality due to workload distribution.
- 4) Coincidentally, interviewees pointed to SIECA's logistical support to committees. Only for a few groups did SIECA provide the technical assistance described in numeral IV on Expected Results, Customs Administration Enhancement (Chapter Five), paragraph two.
- 5) Evaluators were unable to easily access the project's relevant documents. Many private sector users were unaware of their existence. Moreover, SIECA's website is outdated; for example, the rules-of-origin page has no documents and the customs procedures page has only four.

- 6) GEDOEL remains an outstanding debt to the region. Both SIECA and Chemonics introduced it to government authorities and to the private sector but, as discussed, it is currently not working.
- 7) SIECA presented limited information on the workshops. Workshops have generally been regarded as short, repetitive, and superficial.
- 8) Workshops on Rules of Origin in the textile sector are an exception to the above. All interviewees agreed that these workshops were very successful. The workshops achieved their objectives. They were developed with the help of CBP and were widely recognized for the quality of the presenters and for the depth and quality of the material covered.
- 9) Several projects were still pending or in progress. Some were not mentioned in SIECA's final report; others were reported as temporarily suspended.<sup>20</sup> These delays were the result of lack of interest by the countries as well as the late responses from the U.S. government to the countries' requests. In addition, changing and competing priorities and technical deficiencies contributed to their incompleteness.
- 10) Coordination among programs was not always successful.

### **Recommendations**

- 1) The projects addressed very specific and technical issues. Their implementation demands a considerable level of technical expertise from consultants. It is important to control and supervise the performance of such technical activities. Those activities need to be treated directly with the countries according to their needs.
- 2) In all six CAFTA countries, it is necessary to develop issues of origin and customs but in some cases the agenda and the public target are different for each country.
- 3) USAID should closely monitor the contracted agencies and should establish technical indicators to measure the project's achievement.
- 4) On technical issues, USAID should have a system to assess the results independently, perhaps through external independent experts.
- 5) Besides these numerical indicators, other examples of monitoring indicators include:
  - a. Conducting surveys of trainees. This survey could serve both as a source of information and as an evaluation. The obligation to respond to these surveys should be included in the contract.
  - b. Systematic testing of the software developed.
  - c. Periodic and random reviews for updates of the project's website.
- 6) If a regional institution is chosen:
  - a. Consider its real technical capacity to execute and to implement the projects.
  - b. Establish clear guidelines both for the program's leadership and its implementation to ensure compliance with its objectives, regardless of the daily operations of the executing agency.

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<sup>20</sup> "Creation of common guidelines for the interpretation, application, and administration of Chapter IV and the relevant provisions of Chapter III of CAFTA-DR." These common guidelines were approved at the technical level and then transferred to U.S. authorities. "Development of the proposal of mutual assistance and technical cooperation agreement between Central America and the United States."

- c. Ensure that the project's objectives are approved by relevant national authorities and by the authorities supervising the executing agency.
  - d. Determine whether the project's objectives will be better served under CAFTA or from a Central American angle. In the case of CAFTA, the participation of the Dominican Republic must be ensured.
  - e. Include provisions in the contract, specifying coordination between the executing agencies and the institutions involved in the project's implementation.
- 7) USAID should coordinate with other agencies of the U.S. administration to determine key issues and set priorities for the implementation, improvement, or modification of CAFTA. This coordination ensures that once Latin American countries reach consensus on an issue, the U.S. government needs to review and approve it.
  - 8) The appropriateness of including private organizations to act as executing agencies or at least as depositories of the project's deliveries should be evaluated. An option could be to encourage public-private partnerships.
  - 9) A plan of assistance by other international organizations active in Central America, such as IDB and the European Union, should be coordinated. This coordination could vary, depending on the capabilities and objectives of each organization, from sharing working plans to actually implementing projects together.
  - 10) Training I: It is essential to continue with the training of private sector and government officials in rules of origin because there are many provisions that are still not well understood. It is urgent to train the private sector in origin verification because many gaps remain.
  - 11) Training II: The topics of trainings should be related and coordinated, especially within various projects.
  - 12) Training III: The depth of the workshops must respond to the needs of each country. Local officials and private entities should assist in identifying them.
  - 13) Updating the rules of origin to the current Harmonized System (HS): A new HS version will be available on January 1, 2012. Delays in updating of the rules of origin of the recently passed CAFTA should be avoided. Developing tools to expedite these updates as much as possible would be an option to solve this.
  - 14) GEDOEL I: This delivery needs short-term corrective actions. Interviewees have expressed their frustration and inability to use this software. The fact that many potential users expressed interest in using this program demonstrates that expectations and needs were not met.
  - 15) GEDOEL II: It is essential to analyze its functionality in the issuance of certificates of origin. However, the technical team developing this software must be credible and efficient.
  - 16) Manuals and training materials developed: It is important to review some of them and deepen their contents because some are too basic or do not help operators.
  - 17) Taking CAFTA requirements into account, it is important to reconsider whether it is worth continuing with some deliveries that were developed for this cooperation.

## 7.4 USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards

### Conclusions

- 1) The USDA-PAPA for SPS Project was a resounding success in all CAFTA-DR countries for public officials working on inspection and certification of products for export. The level of satisfaction from direct beneficiaries was very high and a great deal of crucial knowledge and experience was acquired by all beneficiaries in general, primarily in the public sector.
- 2) Meat regulation in the DR is a success story. One plant has already been inspected and certified for export to Puerto Rico and one laboratory has been enabled to conduct analyses of residues in beef.
- 3) In Nicaragua, the goal set during CAFTA-DR negotiations to industrialize the agricultural sector in order to add value to national production has not yet been achieved. In fact, the utilization of the treaty by the dairy industry has been rather low because it lacks collection infrastructure such as feeder roads and refrigerated storage and transportation to take advantage of the country's production potential.
- 4) Nicaragua and Costa Rica have been exporting beef to the United States even before CAFTA-DR. Nicaragua, in particular, has been doing so for more than 50 years. As a result, the industry in these countries had put in place good manufacturing practices, including HACCP, to maintain its export status long before the advent of CAFTA-DR. Each year, the USDA inspects the beef processing plants in these countries.
- 5) Nicaragua seldom utilizes CAFTA-DR quotas for beef because under the WTO quota system, the country has available higher export volumes and there is no limit on the volumes shipped as industrial beef.
- 6) The dairy industry in Nicaragua fully utilizes the CAFTA-DR quota for dry cheese in the first three months of the year. The rest of the year, it hopes and waits for an increase. For other dairy products such as sour cream and ice cream, the quotas are not used because safe milk is required as raw material to make these products. The production of safe milk also demands special automated milking equipment hooked directly to refrigerated tanks. This advanced technology is not yet fully available in Nicaragua and its implementation requires financial support.
- 7) CAFTA-DR countries want to apply sanitary and phytosanitary measures on trade that are even stricter than those in the United States and Europe. Most countries in the Customs Union wanted the Salmonella tolerance in food to be zero when the international standard calls for less strict standards.
- 8) The project did not address several critical areas of interest such as traceability because the implementation strategy was to pursue the "low-hanging fruit." Once this was achieved, USAID asked that yet another "low-hanging fruit" be addressed.<sup>21</sup>
- 9) There are areas with great potential for major impact in the different CAFTA-DR countries. These areas still need to be addressed in order to realize their promise:
  - Honduras: obtain equivalence with the United States to export chicken breasts
  - Guatemala: control of pesticide residues

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<sup>21</sup> Personal communication with Daniel Orellana, Project Coordinator, USDA-PAPA for SPS.

- Nicaragua: expansion of exports of dairy products and utilization of CAFTA-DR quotas for peanuts
- El Salvador: obtain equivalence with the United States to export pork *pupusas*
- Costa Rica: complete the risk assessment for ornamental plants with stems longer than 18 inches
- Dominican Republic: obtain equivalence with the United States to export beef to Puerto Rico

## Recommendations

The lessons learned from the USDA-PAPA for SPS Project could be translated into recommendations to improve future development initiatives, addressing similar areas of interest as follows:

1. Project design needs to be refined to include more specific objectives and measurable indicators of performance to assure relevance and impact and facilitate implementation, monitoring, and evaluation.
2. Future PAPA agreements must include reliable mechanisms to assure stakeholder cooperation in programming and executing project activities and reporting systems to keep stakeholders informed in a timely manner about project implementation.
3. In order for regional projects to achieve results beyond expectations, the USAID Missions in each country need to develop a sense of ownership for each project. This is only possible if regional projects somehow include the priorities of the individual USAID Missions.
4. A common agenda of activities for all CAFTA-DR countries must be replaced by relevant interventions with impact potential for each country, taking into account each country's priorities, its comparative and competitive advantages, and the needs of well-established sectors that are already contributing significantly to the country's economic well-being.
5. The private sector must be taken into account as an implementer and beneficiary. Its inputs and ideas must be included in the design and implementation of projects even if these projects are exclusively for the public sector.
6. Inter-regional trade, as a launching platform for CAFTA-DR and a source of economic well-being for the region, needs to be promoted and interventions to facilitate the flow of goods from country to country must have high priority.
7. SPS initiatives must weigh the strengths and weaknesses of the National Sanitary and Food Safety System (NSFSS) in each country in order to rationalize expectations about expected outputs and sustainability. This is more critical now because the new U.S. Food Safety Modernization Act (FSMA) requires the NSFSS in each country to have the capacity to provide the necessary environment to support compliance with the law and grants the Food and Drug Administration (FDA) the power to veto a country as a supplier based on the capacity of its NSFSS.
8. Other provisions of the FSMA that have practical implications and should be taken into account in the future include the recognition of private certification for SPS compliance. This opens the door for private certification systems such as Global GAP and eventually a Central American GAP (CA GAP) or even a CAFTA-DR GAP. In addition, the FSMA demands total traceability and the upgrade of the NSFSSs.

## 7.5 General Observations

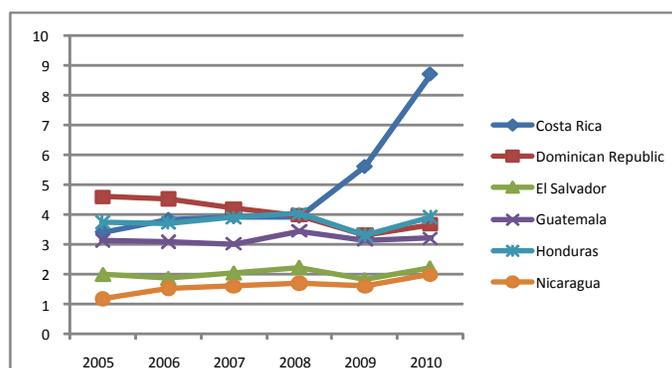
### Impact on Trade

Although it is difficult to quantify the impact on trade of all four USAID projects evaluated, it is reasonable to assume that the variety of initiatives in customs and trade regulations as well as on sanitary and phytosanitary standards have contributed to increase trade between the Central American and the Dominican Republic region with the United States. According to statistics published by the International Trade Administration of the Department of Commerce, the average growth of total trade value (imports plus exports) was 7 percent per year since 2005, this despite the global demand crisis in 2008 and 2009. For 2010, almost five years after the effective start of the CAFTA-DR agreement, the region recovered its pre-crisis levels and increased further its exports to the United States starting a trend that will likely continue in future years.

#### *Exports from the Region to the United States*

All countries in the CAFTA-DR region increased their exports to the United States at the end of the decade. Costa Rica leads the group with an increase of almost 45 percent in 2009 and 55 percent in 2010. The stellar performance of the computer and electronic products in Costa Rica resulted in exports in 2008 of US\$864 million escalating to US\$5,610 million in 2010. Also Nicaragua and El Salvador fared well increasing their exports in 24% and 21% respectively in 2010. After five years of CAFTA-DR implementation, member countries started to benefit from the preferential treatment with the textile sector benefiting from the more flexible rules of origin with the agricultural sector benefiting from the TRQ for sugar and alcohol.

**FIGURE 7.1 CAFTA-DR EXPORTS TO THE UNITED STATES**  
(US\$ BILLION)

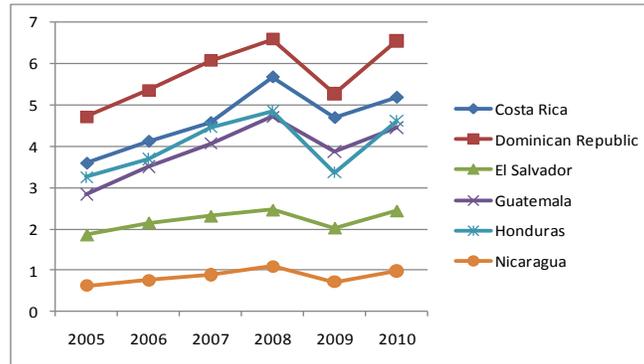


Source: <http://tse.export.gov/TSE/TSEHome.aspx>

#### *Imports to the Region from the United States*

Similarly, all CAFTA-DR countries increased their imports from the United States, with the Dominican Republic being the largest importer with US\$6.5 billion in 2010, a 24 percent increase from the previous year. Honduras and Nicaragua registered the highest increase in exports in 2010 with 37 percent each. Main categories of imports from the United States are petroleum and coal products, chemicals, textiles and fabrics, agricultural products and computer and electronics. Another factor that weighted in the performance of imports was the increase of prices of foodstuffs (maize, wheat) as well as of fuel.

**FIGURE 7.2 CAFTA-DR IMPORTS FROM THE UNITED STATES  
(US\$ BILLION)**

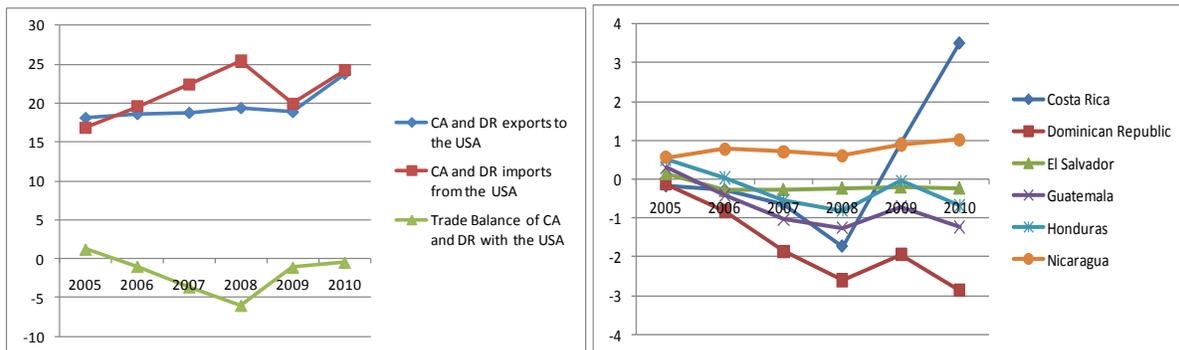


Source: <http://tse.export.gov/TSE/TSEHome.aspx>

### Trade Balance

The trade balance of CAFTA-DR countries with the United States (Exports minus Imports to the United States) ended its negative trend in 2008 and improved for two consecutive years until reaching the balance in 2010. This result is highly influenced by Costa Rica, which reversed its trade deficit of -US\$1.74 billion in 2008 to US\$3.5 billion in 2010. The Dominican Republic as the major deficit holder worsened the terms of trade almost continuously, reaching the highest level in 2010 with US\$2.87 billion. Although there is a positive trend to reduce deficits, most of the countries have a negative trade balance with the United States, with the exception of Costa Rica and Nicaragua.

**FIGURE 7.3 CAFTA-DR TRADE BALANCE WITH THE  
UNITED STATES  
(US\$ BILLION)**



Source: <http://tse.export.gov/TSE/TSEHome.aspx>

### Role of International Donors

#### European Union

The European Union feels that CA lacks regional authorities to implement the different chapters of its cooperation. It is currently working with SIECA and SICA. Both of them show a great deal of goodwill, but, in the case of SIECA, it has reached the maximum level of capacity for project administration. To upgrade its capacity, SIECA created a Project Management Unit and is now receiving substantial funds from the European Union. However, SIECA does not receive support for recurrent expenses.

Eight projects make up the regional EU 2007–2013 strategy for CA that commits €95 million for the region. These projects are at different stages of implementation: some of them are running and will end in two to three years, others are about to finish, and still others have already ended:

1. PAIRCA II: €15 million. Second phase began in 2009 and will run until 2015. Working to support the modernization of SICA (institutional reform and structure) and the capacity of other regional institutions.
2. PRACANSA: €25 million. Began in December 2010 and will run until 2015. Working to support quality and the application of SPS at the regional level.
3. SEFRO: €5.5 million. 2010–2014. Working on the regional security strategy.
4. CONSUAC: €7 million. Ending at this time. Also worked to support the customs school and telematics (two systems were developed). In addition, the project supported SIAUCA (Central American Unified Customs Information System).
5. ADAPCCA: €10 million. Ended in December 2010. Worked on the design and application of common policies for the region.
6. UAC: €8 million. Customs Union. Ended in 2008. Worked on creating the customs school and connections for telematics (regional and national nodes).
7. PAIRCA I: €15 million. 2003–2009. Worked on the strengthening of the CA integration and cooperation as foundations for the competitive insertion of CA economies into the global economy.
8. PREVDA: €24 million. 2006–2011. Worked on the consolidation of the institutional and political integration of the region.

The PRACANSA Project aims to work on the following areas related to SPS:

1. A regional system to achieve the harmonization, reciprocity, equivalence, and transparency of SPS, similar to a Central American GAP (CA GAP)
2. Development of common regional norms
3. Certification of primary production and other elements of the supply chain
4. Private certification of SPS compliance
5. Upgrade of laboratory hardware and software under a network outlook
6. Assistance to the Customs Union process to allow unified SPS standards
7. Development of a quality culture in the private sector

An EU super-project is in the making to support the implementation of the EU–CA trade agreement. SIECA and the European Union have already agreed on the project document and the approval process is already ongoing in the EU. Basically, this new project continues the effort of previous projects and provides support to the implementation of obligations acquired by CA. The main components are:

1. Customs procedures focusing on the implementation of pilot products such as the DUA (Single Customs Declaration) and the reimbursement of tariffs paid to land customs for the passage of goods in transit (Panama included)
2. Policy development support in areas such as land transport, financial systems, competitiveness, and conflict resolution
3. Assistance to the private sector to promote dialogue with regional institutions
4. Support to SMEs and to alliances with universities
5. Direct support to SIECA/COMIECO and to land customs

During the interview with the evaluation team, the EU officers commented that USAID has more flexibility than they do to work directly with the private sector. Their mandate is mostly institutional capacity building; the private sector benefits through their demand for government services.

## Women's Participation

As one travels through the CAFTA-DR countries, one realizes that women's participation in trade businesses has grown exponentially in the last 10 years. Without a doubt, there are more female executives and professionals in all walks of life. The public sector in all CAFTA-DR countries has a very significant group of female employees. CAFTA-DR has also had a major impact on the direct employment of women, especially in the textile sector. More significant is the fact that a good number of female entrepreneurs are participating in CAFTA-DR. Oscarito in Masaya and Rosquillas (a baked biscuit made with cheese) in Somoto, made by a women's organization, are good examples of this fact in Nicaragua.

A representative sample of the presence of women in CAFTA-DR can be observed in the percentage of women interviewed in the present evaluation. Both in the public and private sectors, the interviewees were selected because of their leading role in their respective institutions or as a relevant representative of a stakeholder. In Costa Rica, El Salvador, Guatemala, and Honduras, the participation of women as relevant spokespersons for stakeholders reaches nearly 40 percent.

	CR	ES	GUA	HON	NIC	RD	WASH	TOTAL
MALE	22	34	29	16	51	32	6	190
FEMALE	14	23	17	11	21	11	4	101
TOTAL	36	57	46	27	72	43	10	291
% of Female	39%	40%	37%	41%	29%	26%	40%	35%

## Observations on CAFTA-DR Implementation

### *Related to Chapter 3*

1. Large companies have benefitted the most from CAFTA-DR, especially those that had an exporting infrastructure in place. Small growers and/or small and medium enterprises have not benefitted much, except in Nicaragua where great benefits have been obtained.
2. The product sectors that have accrued the most economic benefits are textiles, sugar and ethanol. Private investment, primarily in the export sector, has also received a big push from CAFTA-DR.
3. Companies in the region have learned to conduct more responsible production. This fact has facilitated negotiations of the free trade agreement with the EU.
4. CAFTA-DR has promoted the creation of a critical mass of diversified exportable products.
5. The trade balance is too much in favor of the United States and the export quotas given to the United States threaten several sensitive sectors of the economies in CAFTA-DR countries.
6. The opportunities of the CA and U.S. markets are seen now in a different perspective under CAFTA-DR. Many products that were not exportable are now being sold in the United States and the region.
7. The flow of much-needed raw materials and/or ingredients and components has been enhanced by CAFTA-DR.
8. The United States has slacked on demands for meeting and enforcing commitments under CAFTA-DR, a situation that weakens the treaty.
9. International cooperation should have more coordination. Countries often feel overwhelmed by donor projects that duplicate efforts or do not respond to their perceived needs.

### *Related to Chapters 4 and 5*

1. The private sector lacks knowledge on CAFTA-DR rules of origin. This delays the verification of origin process.
2. Contrary to CAFTA-DR provisions, some customs services lack procedures to amend certificates of origin. Others require exporters to also verify origin by signing the certificates.
3. There are discrepancies in the valuation of imported goods with CAFTA preferences throughout the region.
4. In some countries, the delivery times of imported goods are delayed by the inefficiency of operators outside customs, i.e., delays in ports, ~~inefficiencies~~ of customs agents (brokers) or managers of tax deposits, etc.
5. Despite significant efforts, the application of ~~—~~“Advance Rulings” is scarce in Central American customs services.
6. Some customs services are too arbitrary, especially at border posts where officers have scarce knowledge of CAFTA-DR provisions.
7. CAFTA’s multilateralism is not applied consistently in all countries, especially for products from free trade zones.
8. The concept of trade facilitation and selective control has not been incorporated in several countries. There is a prevailing bias for excessive controls, increased tax collection, and generally, the application of discretionary measures. Improving this situation will be very time-consuming since governments have set goals for increased tax collections.
9. There is a high turnover of government personnel in the region. Lack of legislation on civil service personnel, the instability of some positions because of the political nature of some the functions, low wages, and lack of training are the main reasons.
10. The measurement of the Treaty’s impact needs to reflect the origin of goods, the preferential treatment given to certain goods within the Agreement and the base year used as point of reference.
11. Central American governments and/or private operators complain that the obligations of CAFTA do not apply to the United States:
  - a. The United States does not enforce the common guidelines (Article 4.21 of CAFTA).
  - b. It delayed the approval of the update to rules of origin within the 2007 Harmonized System. This adjustment was approved on February 22, 2011. In January 2012, a new version of the Harmonized System will come into force and the recently adopted rules will become outdated. This delay creates confusion, errors, and a lack of transparency, which incite corruption.
  - c. A U.S. textile company expressed its dissatisfaction because there is no advanced warning on verifications of origin by U.S. Customs as established in article 3.24, paragraph 4(b), concerning verification notice periods.
  - d. A U.S. company considers excessive the amount of information required to verify origin for small batches of production. Verification of a batch of 1,200 pants required 17,000 pages of information.
  - e. Some Central American countries are interested in implementing electronic certification as established in Article 4.16, stating that it should be implemented ~~no~~ later than three years after CAFTA enforcement.” The United States is not ready.

### *Related to Chapter 6*

1. Processes in CAFTA-DR take a long time, especially from the U.S. side and regarding SPS concerns. These delays cause great loss of opportunity to exporters who are anxious to take advantage of and increase their participation in CAFTA-DR.
2. U.S. products imported into CAFTA-DR countries have had quality and phytosanitary problems, i.e., it is not uncommon to find insects in fruits and vegetables and high amounts of chalky kernels in rice.

## 8. THE CENTRAL AMERICAN CONTEXT AND THE WAY FORWARD

During the past five years, many changes occurred in the Central American and Caribbean region, not only as a result of the implementation of the CAFTA-DR Agreement and the accompanying changes promoted by the USAID programs evaluated in this report, but also as a result of the regional and global context of constant evolution.

In this section we discuss the most important aspects of this new context as the point of departure toward new challenges and potential areas of involvement of future USAID initiatives. A more detailed presentation is included in the second deliverable as part of this assignment with the proposal for a future long-term activity for the USAID/E-CAM Office.

### 8.1 Food Security in the Region

Food security has been defined as —having, at all times, both physical and economic access to sufficient food to meet dietary needs for a productive and healthy life. A family is food secure when its members do not live in hunger or fear of hunger.” This definition highlights the three elements of food security: physical access to food, economic access to food, and food safety. Climate change is also frequently mentioned as a significant variable that threatens food supply across the globe.

#### Physical Access to Food

Physical access to food in CA is negatively affected primarily by complex logistics and by the poor condition and lack of hard infrastructure.

##### *Logistic Complexity*

A truck from Mexico to San José travels at an average speed of 16 km/hour, making the travel time the same as for shipments by sea. Because of this, the shipping costs to the United States are the same as or lower than the cost of shipping within the CA region.

The cruising speed of trucks is also greatly determined by border crossings through the different countries. The crossing between Costa Rica and Nicaragua at Peñas Blancas is probably the most severe and significant bottleneck for inter-regional trade. Between 300 and 400 units cross this border every day. In June 2010, Costa Rica initiated a pilot project between the transport sector and Customs to obtain priority for transport units carrying goods for the inter-regional market. This project was based on the units being dispatched from the Customs exit post in San José already with all the required documentation and inspections and was aimed at reducing the waiting time at Peñas Blancas from 18 to 20 hours to 2 to 3 hours. The launching of the project failed because the traffic police did not cooperate in positioning the units in the fast lane, forcing the drivers to negotiate the traffic jam on their own. The public police also detained the units for inspection some kilometers before the crossing because the documents lacked a seal or proof that they had been already processed at the Customs exit post in San José.

Delays of up to three hours are also common on the Nicaraguan side because the waiting patios have deteriorated to such an extent that the number of units allowed to enter these patios has been reduced significantly. This results in a very long queue to go through Nicaraguan Customs. Moreover, Nicaraguan Customs often asks for requirements that are not in the international agreements. Political will and mirror initiatives on both sides of the border are required to address this situation, which has a major impact on the logistical cost of goods destined for intraregional trade. For example, the average speed of a truck

from Guatemala City to San José is 13 km per hour. There are 1,300 km to travel and it takes 96 hours to cover this distance. This means a truck covers about 325 km per day. With a fast-track initiative in all land crossings similar to the pilot project for Peñas Blancas, this travel time could be cut in half. This achievement will have an enormous impact on the cost of moving goods within CA.<sup>22</sup>

There is a common saying in Central America that it is easier to export to the United States than to Central America. In fact, logistics between Central America and the United States are perfect for import/export purposes. The excellent availability of shipping services and frequencies makes shipping goods by sea an economical and efficient proposition. Exporters have learned how to negotiate better shipping rates. Central America has the added option to ship goods by land through Mexico and it does so, especially to the U.S. West Coast. Bringing goods by land from the United States is not as attractive because of the border crossings and the poor condition of the roads, in addition to criminal activity by thieves and drug dealers.

### *Hard Infrastructure*

Hard infrastructure problems are common in CAFTA-DR countries. Port infrastructure needs upgrading, the cost of energy is high, and the road network has deteriorated, contributing to long transit times within the region.

Feeder roads to bring field production to collection and/or packing centers are also lacking. This causes losses and increases costs. For example, the large dairy sector companies in Nicaragua (Parmalat, Centralac, and Eskimo) have set up milk collection centers with refrigeration, but there is still production that stays in the field. Estimates by UPANIC (Union of Agricultural Producers of Nicaragua) show that only 35 percent of production is collected. This indicates a real need to improve the overall hard infrastructure for collection, increase the processing capacity to at least an additional 400,000 lts per day (two more processing plants), and apply high technology to prolong milk shelf life such as Tetra Pak, especially during the milk spike (*golpe de leche*). To carry out these initiatives, international aid is required. However, dairy sector producers complain that USAID focuses assistance more on the fruit and vegetable sector.

### **Economic Access to Food**

Competitiveness is one of the major issues for farmers in CAFTA-DR countries. The great majority of the production inputs are imported, as well as most of the equipment and machinery required for farming. As a result, farmers are highly vulnerable to foreign exchange fluctuations and other factors that affect international markets. Financing for production is also a critical limiting factor, especially for small growers. Interest rates are too high and commercial banks apply conservative practices to lend to growers. Services such as research and extension are weak, meaning farmers have to use lower levels of technology or have to import technology to obtain better yields. All of these factors come together in a perfect-storm-like situation, expressing themselves in lower production outputs and higher unit costs that have a major effect on economic access to food.

In spite of the above, agricultural investment on technology has increased in the last six years due to CAFTA-DR. Post-harvest and packing technology, drip irrigation, and production under plastic have been the main areas of investment. As a result, in the DR, for example, there are approximately 4 million m<sup>2</sup> under plastic production. Market windows for bell peppers and tomatoes are now fully exploited.

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<sup>22</sup> Personal communication, Francisco Quirós Tencio, Executive Director, National Chamber of Cargo Transport Providers (*Cámara Nacional de Transportistas de Carga*, CANATRAC).

## Food Safety

### *The Prevailing Food Safety Mentality and Culture in the Region*

CAFTA-DR made SPS mandatory to enable agricultural products to have full access to the U.S. market. International donors, especially USAID, mobilized to support capacity building in order to ensure that exported products were in full compliance. In this process, the food security of foreigners became more important than that of the local population (the paradoxical food safety double standard), although a small trickledown effect took place to make certain export by-products safer for local consumption. The gap between the sanitary and food safety systems for export and for local distribution grew wider due, in great measure, to the skewed investment pattern followed by international donors. This investment only concentrated on some areas within the public sector that were critical for export products. Inspection and certification were large beneficiaries, as well as investment to comply with GAP, GMP, and HACCP and to implement preventive diagnostic and analytical procedures, such as residue analysis and the detection of food contaminants in exported products. The rest of the sanitary and food safety apparatus remained unattended and deteriorated even further.

Exporters in CAFTA-DR countries acquired a food safety mentality by obligation rather than by conviction because the food safety environment to create a food safety culture that would demand safe products, even for the local markets, was not present. A comprehensive and integrated national sanitary and food safety system (NSFSS), embracing foods for export as well as foods for domestic consumption, was lacking. In most CAFTA-DR countries, consumer protection agencies, for example, lack an agenda or a budget to increase consumer awareness of the dangers of contaminated foods. They do not even have quick and effective legal tools (except in the DR) to prosecute a farmer who repeatedly uses dangerous pesticides or applies safe pesticides at high levels and then sells his products to middlemen for retail in unsanitary public markets around the country where lower-income families buy food to feed their children and the elderly, the most vulnerable segments of the population.

### *Change is in the Wind*

Fortunately, mentalities are changing. There is an understanding at different levels in CAFTA-DR countries that a sound NSFSS will create a sound regional sanitary and food safety system. This system will in turn result in increased opportunities for food trade at the regional and international levels. This system will also facilitate the movement of agricultural goods within the CAFTA-DR countries. At this time, many countries are looking at alternatives to improve the current situation and the new U.S. FSMA helps markedly to pave the way for change.

In addition, national consumers are demanding more quality and food safety standards. Supermarkets are also making the same demands.

### *The Current National Food Safety Systems*

Many challenges need to be addressed:

1. Government food safety units isolate themselves into silos; there is no systematic integration. All units come together only during a crisis. For example, in the DR the Food Safety and Plant Health Units are under the Vice Ministry for Extension and have a good level of integration and coordination of related activities. In contrast, the Animal Health Unit is under a different umbrella within MAG and, as a result, integration and coordination are poor. This silo-like structure causes common, persistent jurisdictional problems within the National Sanitary and Food Safety System (NSFSS). For example, in the issuance of the regulation for MRLs in food, the agricultural, health, and consumer

protection sectors are involved but have not managed to come together to finalize and implement it. In recognition of this problem and in an effort aimed at integration, USAID provided support for the creation and approval of the national plan to control residues in food. This plan involves the participation of several different units dealing with the subject; it is now part of the national budget with its own funding.

2. Duplication of efforts and wasteful use of resources are common. In all countries, several units in other ministries are doing the same work as that of the Ministry of Health.
3. Traceability is not a priority and emphasis is placed on beef products. The DR and Nicaragua are about to implement a regulation for the traceability of beef. Other CAFTA-DR countries are falling behind.
4. The monitoring and evaluation of contaminants in food through periodic sampling is weak and of a highly incipient nature in the majority of the countries. When sampling is done, results take a long time to be available. This is an indication that the analytical infrastructure is not yet capable of supporting an effective residue monitoring program that in turn can provide the necessary information to apply preventive measures in the field. The proper equipment to detect small residue levels in different food products is not yet in place in several countries and procedures to analyze the most critical food products still need to be implemented. For example, in the DR three laboratories are conducting pesticide residue analyses, but performance levels are not yet high although several initiatives support their effort: i) in LAVECEN, OIRSA manages residue analyses with experienced technicians from CA because LAVECEN claims it has no money to pay for quality people. OIRSA will receive money from USDA for this purpose; ii) USDA is also supporting the IBII laboratory (another public laboratory) through a US\$1 million grant for residue analysis; iii) IDB has several initiatives to support public and private laboratories; iv) the private sector has its own laboratory in JAD, but it is not accredited. Moreover, a large number of pesticides in the market need to be monitored.
5. Preventive measures do not work. In several countries, the rejections of agricultural products arriving in international markets have declined, but shipments continue to be intercepted on arrival because residue levels in violation of MRLs continue to be detected. Because of this recurrent problem, APHIS and USDA are about to close exports of fruits and vegetables to the United States from the DR. In the European Union, 50 percent of the shipments from the DR that are inspected and analyzed contain residues.
6. Good production practices are a policy in many CAFTA-DR countries but there is no operating capacity for enforcement. In Nicaragua, the cattle sector has asked the government to allow private certification in order to increase coverage, but to no avail. In general, CAFTA-DR governments do not officially accept private SPS compliance certification.
7. Systems are reactive rather than proactive due to lack of resources. For example, in Nicaragua MAGFOR has the legal right to issue accreditations and certifications, but no certification of primary production is taking place and attempts are only now being made to create a registry of producers. Animal Health has initiated this registry mostly for those growers who sell for export. Countrywide, MAGFOR has only 16 inspectors who look into good agricultural practices. They are obviously not enough to assure broad compliance with SPS in order to prevent crises, but when a complaint is filed or a crisis erupts; MAGFOR is obligated to mobilize quickly.
8. Preventive coverage is a serious concern. There are 2,600 cottage-cheese-type manufacturing plants in Nicaragua, but only 40 of them are registered for export.

9. Municipal markets do not provide guarantees for food safety and Health Ministries have limited capacity and authority to control them. Municipal mayors control these local wholesale markets. It is difficult to apply food safety standards and laws, mostly due to the influence of special interests.
10. A supply-chain approach to food safety is lacking. For example, the transport and storage of highly perishable products such as meats and leafy vegetables are not certified in many countries to assure proper handling practices and temperature control.
11. At the regional level the pillars of the WTO agreement on SPS standards, equivalence, harmonization, reciprocity, and transparency are not applied. For example, only a few plants are certified to export beef to the United States in CAFTA-DR countries: four in Nicaragua and one in Costa Rica. Honduras is reopening its plants, Guatemala and El Salvador do not have plants, and the DR is in the process of obtaining certification for one plant. The public slaughterhouses in Nicaragua are certified by the government to export to El Salvador. Guatemala does not allow the import of beef from Nicaragua because, according to the Guatemalan government, the plants in Nicaragua do not comply with the norms demanded by Guatemala, that is, the E. coli testing is conducted on whole pieces in Guatemala, rather than on retail cuts as is done in the United States.
12. Regional standards are also stricter than international standards. At a recent meeting in El Salvador, the criteria for microbiological evaluation of Salmonella under the regional regulation were revised to zero tolerance. This was done under the sponsorship of an agreement between USDA and OIRSA to provide support to Food Safety Units in the Agriculture and Health Ministries within CAFTA-DR countries.

### *The Improved National Food Safety System*

The majority of the CAFTA-DR countries are looking at options to improve the structure and operational capacity of the food safety function within their respective governments. There is a great deal of talk about the creation of an autonomous government entity such as a Food Safety Institute, directly linked to the President's Office in order to have the executive power to cut across the existing institutional "silos" to have the required resources to achieve effectiveness and in order to exercise absolute control over all administrative and operational matters related to food safety. A high-level "Food Safety Czar" would be put in charge.

Voices for change are becoming louder:

- AGEXPORT in Guatemala and JAD in the DR are promoting laws to create a new food safety institute, including the use of a quality seal.
- FAO has recommended the creation of autonomous food safety institutes in the region; these institutes would also implement national quality systems.
- The USDA at the U.S. Embassy in the DR favors the idea of food safety institutes in all countries.

Progress is very evident across CAFTA-DR countries:

1. In the DR, there are some attempts by different units with jurisdiction in food safety to work together as a team. The Foods and Beverages Unit of the Ministry of Health meets once a month with the MAG Animal Health Unit. They have also signed an agreement to facilitate their joint efforts.

2. The agricultural sector strategy for the next 10 years in the DR includes mandatory food safety standards for local products and products sold to tourists. For exports, PL-480 funds are being used to improve inspections and residue analyses.
3. Partnerships for Progress and Feed the Future initiatives are funding a project in the DR to monitor residue levels in food. Under this project, the MAG Food Safety Unit will collect samples on a monthly basis in the field, packing facilities, and supermarkets (distribution centers). It will also interpret the results from residue analyses of the collected samples and will implement corrective measures where needed.
4. Costa Rica provides the same treatment and priority to food safety for the local market and for export. In addition, Costa Rican food safety and consumer protection laws have criminal penalties (jail term) for lawbreakers in production and food handling. It also gives accreditation for transporters of meat products.

#### *The Costa Rican Effort on the Institutionalization of Food Safety*

Costa Rica is well ahead of other countries in establishing an effective NSFSS. In 2009 it was able to bring the different ministries to the table in a major integration effort under the leadership of the National Quality Council (ten ministers and nine representatives of private sector chambers). A high-level committee of Vice Ministers of Agriculture, Health, Economy, Foreign Commerce, Consumer Protection, etc. was formed to examine the NSFSS. A diagnostic assessment requested as a result of this meeting disclosed serious weaknesses:

- lack of a national sanitary and food safety policy
- lack of integration of all the units working on SPS
- lack of a strong coordinating authority (Food Safety Czar?)
- scattered legal framework
- lack of accountability
- lack of specialized technical human resources
- idle analytical and diagnostic capacity, but lack of capacity for specialized testing

In 2010, policies were consolidated and an action plan was developed. In 2011, the committee will examine and gather pertinent legislation. Costa Rica's intention is to follow an integrated model similar to, but with more executive power than, the Canadian Food Inspection Agency (CFIA).

Costa Rica was recently elected coordinator for the Codex Alimentarius in CA and the Caribbean. As such, it is working with the United States and Canada on achieving regional cohesiveness through a consolidated regional plan. Some of the areas of interest they are addressing are:

- self-control practices for SMEs
- standardization of inspection mechanisms and protocols
- school for inspectors in Costa Rica
- revision of the technical regulations framework (89 regulations have been updated)
- development of an information system by sector and by market now being expanded to include norms and processes for evaluating compliance

They feel that an improved NSFSS must include the following elements, among many others, in order to be successful:

- conscious consumers exercising their right to safe foods
- strong political will to effect crosscutting changes
- recognition and accreditation of private certification to complement government efforts and to achieve coverage
- an upgraded and consolidated regional legal framework, taking into account the laws already in place in each country, their strengths and weaknesses, and the fact that they lack scope and depth
- self-sufficiency with funds coming both from the private sector and the government.

The GAP system for pineapples in Costa Rica has all the necessary elements to serve as a model for other countries. It is based on farmer training in SPS compliance and certification requirements, followed by Global GAP certification and a program for monitoring and evaluation based on on-farm inspections as well as inspections of shipments at the exit port. Constant presence in the field by MAG's Phytosanitary Service provides close day-to-day contact and support for the farmers. This system is applied without restriction for the local, regional, and international markets.

### **Other Food Security Weaknesses in the Region**

Other weaknesses in other critical elements of the food supply chain that affect food security in the region were identified:

1. The capacity of the small farmer population in the region to produce food is low from the standpoint of a lack of effective and efficient farmer organizations; the low technology levels applied in production; the scarce application of other knowledge such as postharvest technology and SPS, and a general and acute lack of business savvy and experience.
2. The suitability of the agricultural lands is very limited in the majority of the countries (topography, water, climate and soils).
3. Research and extension services are weak and deficient.
4. The soft and hard infrastructure supporting the food supply chain is inadequate:
  - a. Access to inputs such as seeds, fertilizers and pesticides, machinery and equipment is also limited and expensive.
  - b. Logistics and transportation services are expensive and provide restricted backing.
  - c. Value addition (packaging and processing) is low.
  - e. Cold storage infrastructure is lacking.
  - f. Milling and storage capacity are only partial.
  - g. Access to information is scarce (market news, pricing, weather, and other relevant information).
  - h. The presence and suitability of hard infrastructure are limited (ports, airports, irrigation, roads, etc.).
  - i. The business climate is deficient (government agricultural policies and incentives are lacking and political and economic stability in rural areas is limited).

### **Climate Change**

CAFTA-DR countries are already being affected by climate change. The yields of critical crops (sugar cane, rice, corn, etc.) are declining because the pest cycle has changed as climate changes, making pests more difficult and more expensive to control. In addition, the rainfall pattern has shifted to longer cycles of rain that cause crop damage from flooding, but droughts are more pronounced and require more irrigation. Moreover, the yield potential of common varieties in use has decreased due to higher ambient temperatures. All of these factors make access to food more expensive because of shorter supply, higher demand, and additional investment and operational costs required to counter the changing effect of climate.

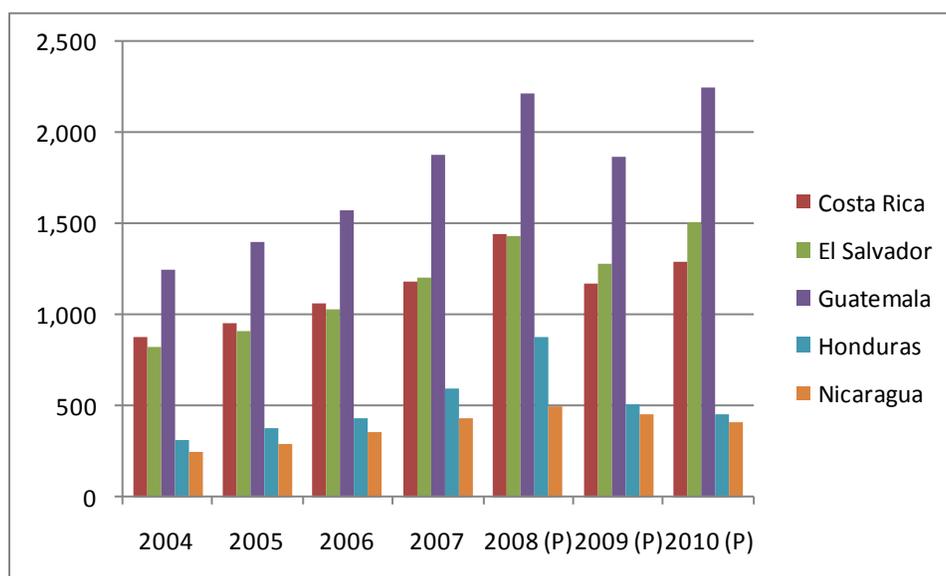
The GAP system for pineapples in Costa Rica has all the necessary elements to serve as a model for other countries. It is based on farmer training in SPS compliance and certification requirements, followed by GlobalGAP certification and a program for monitoring and evaluation based on on-farm inspections as well as inspections of shipments at the exit port. Constant presence in the field by MAG's Phytosanitary Service provides close day-to-day contact and support for the farmers. This system is applied without restriction for the local, regional, and international markets.

## 8.2 Intra-Central American Trade

### Intra-Regional Trade

As the statistics show, intra-Central American commerce has experienced steady growth since 2004, but the greatest increase occurred in 2007 and 2008, after CAFTA-DR became effective. This demonstrates the Treaty's positive effect on trade among the Central American countries. CAFTA-DR's importance in intra-regional commerce is confirmed by the fact that in 2009, stemming from the international financial crisis, intra-Central American commerce experienced a significant reduction associated with the shrinking of trade with the United States.

**FIGURE 8.1 EXPORTS TO THE CENTRAL AMERICAN REGION  
(US\$ MILLION)**



Source: <http://tse.export.gov/TSE/TSEHome.aspx>

The crisis affected commerce differently in each Central American country: in 2010 Guatemala and El Salvador recovered and surpassed the value of their 2008 exports; Costa Rica recovered but the value is still lower than that of 2008; in 2010 Honduras and Nicaragua continued to decrease their exports to the rest of Central America. With the effectiveness of CAFTA-DR, the Central American countries have assumed the commitment to move forward with the implementation of a more developed, complete, and up-to-date commercial regulation. Likewise, they should also implement efficient, modern customs methods and procedures.

The new regulation and commercial procedures are aimed at being applied to commerce under the framework of CAFTA-DR. However, with regard to the regulation, because it is also applicable among the Central American countries, it will help to improve the legislation applied in the Central American economic integration process, thereby filling the current gaps such as the lack of rules of origin for textile products.

The modernization of the Central American countries' customs systems will have favorable repercussions on the provision of customs services, both for imports from the United States and for imports from other Central American countries and the rest of the world.

### *Non-Tariff Barriers*

Despite of the importance of intra-regional trade for the Central American countries, when they foresee sanitary or phytosanitary risks, or when they face a significant increase in imports, they apply non-tariff barriers to obstruct trade flow. Not all trade barriers are based on real risks. On occasion, these are protectionist measures when imports to a country increase in such a way that they threaten to displace national production. This behavior is usually seasonal.

These measures also affect the efforts of Central American economic integration toward a Customs Union that includes the elimination of border posts and the free mobility of goods and services, regardless of their origin. Barriers are most frequently applied to agricultural products through sanitary and phytosanitary measures, as in the case of beef, pork, and poultry meats and dairy products.

### *Trade between Central America and the Dominican Republic*

The Dominican Republic reports a significant loss in exports of textiles to the United States; this loss has affected the balance of trade. Thus, it has adopted restrictive measures with other commercial partners such as the Central American countries with which it has a deficit. Recently, the Dominican Republic applied trade measures against imports of electrical cables from Costa Rica, under the regulation of the Free Trade Agreement with Central America.

In the past few years, trade between Central America and the Dominican Republic has favored the Central American region. In 2008 Central America exported US\$373 million to the Dominican Republic and imported US\$141 million. In 2009 it exported US\$389 million and imported US\$71 million. In 2010 it exported US\$456 million and imported US\$98 million. As a result of this relationship between exports and imports, the favorable balance for Central America has increased each year: US\$232 million in 2008, US\$318 million in 2009, and US\$358 million in 2010. Of total exports from Central America to the Dominican Republic, exports from Costa Rica represent approximately 50 percent, followed by Guatemala with 23 percent.

### **The Dynamics of Intra-Regional Trade**

CAFTA-DR countries have a tendency to focus more on the U.S. market than on the intra-regional market.

The Dominican Republic (DR) is a good example of a country where the private sector has issues regarding inter-regional commerce. A general feeling in the DR is that producers are not ready to compete with CA countries due to higher costs and lower levels of technology. On the other hand, many private sector entities express that CA countries are afraid of the DR because its GDP is higher than that of all CA countries combined. Even though agreements are reached for the supply of basic grains, there is no supply. Such is the case with beans from Nicaragua. These factors make local producers focus more on

the U.S. and EU markets. In fact, more than 70 percent of DR exports are destined for the United States and the European Union. In addition, as an effort to rely less on CAFTA-DR countries, the Ministry of Agriculture (MAG) has a great deal of interest in trade with the Caribbean, mostly with fresh products such as vegetables, due to the cultural similarities with this region such as food seasoning and flavoring. Developments to facilitate trade within this region are taking place as well. For example, Barbados has set up a shipping program to service the region in order to expand inter-regional trade.

On the other hand, commercial flow from the United States to the DR is one of the best in the world. USTR officers at the Embassy mentioned that more than 80 percent of consumer goods sold in the DR come from the United States. They add that the reasons for this trade behavior are simple: a ship takes only three days from Florida to the DR, in Florida businessmen speak Spanish, and the Dominican population in the United States is large.

There is a certain seasonality to the application of protective measures at the borders between CA countries. For example, on Mother's Day, Costa Rica closes the border with Guatemala to prevent its flowers from competing with local flowers; when onions are in peak season in Nicaragua, Costa Rica regulates the volumes allowed to be imported in order to protect local prices.

Inter-regional trade in agricultural products could be facilitated by designating export zones for certain products within a country or a smaller region. These zones would have the same ecological and biological conditions as those of growing areas in other countries. Accordingly, they would have the same pests and diseases. Sanitary officers from the importing countries could maintain permanent sanitary surveillance (officers could be rotated in and out). These officers would issue an import permit similar to a phytosanitary certificate to allow products from the designated areas to enter their country, permanently or in transit, without restrictions. Moreover, within these set-aside areas, countries could specialize in products to be supplied region wide.

Wal-Mart conducts a great deal of inter-regional trade and has a strong opinion on how it works:

- No trade facilitation among countries.
- No respect for sanitary and phytosanitary certificates and/or permits.
- After five years, trade potential within CAFTA-DR has not been realized intra-regionally.
- SIECA's situation has had an effect. The institution has lost its capacity for field work. It is engaged in too many studies.
- Discretionary barriers also block inter-regional commerce, mostly on food products.
- Border crossings are very slow.
- Customs procedures also very slow.
- Public officers block commerce using intentional mechanisms to block rather than discretionary mechanisms or those based on judgment and regulations.

### **Regional Accumulation under Tariff Quotas**

In recent years, value chains have constituted a mechanism that the countries try to make use of in order to improve their inclusion in international commerce. These productive relationships between businesses in the same country or in different countries can achieve different levels of linkage or intensity.

CAFTA Chapter 3 covers issues related to market access. This chapter's annexes contain general notes that regulate tariff reduction schedules. There are seven documents with general notes, one for each country. The structure of these documents is quite similar and their articles detail the features of tariff reduction baskets.

In turn, each of these general notes contains two appendixes (numbers 1 and 2). These appendixes contain the rules that apply to and regulate the commerce of tariff quotas.

Consequently, each country has its own general notes and appendixes.

For the United States, Appendix 1, paragraph four, establishes the conditions of origin that must be met by Central American countries in order to enter the United States under a quota (TRQ). This paragraph is transcribed below:

—During the transition period, only a qualifying good is eligible for the in-quota tariff rate for each such good specified in Appendix I; originating goods that are not qualifying goods shall be subject to the over-quota tariff rate for the good specified in Appendix I. For purposes of this note, “qualifying good” means a good that satisfies the requirements of Chapter Four (Rules of Origin and Origin Procedures), except that operations performed in or material obtained from the United States shall be considered as if the operations were performed in a non-Party and the material was obtained from a non-Party. For purposes of determining which country-specific tariff-rate quota applies to a qualifying good, the United States shall apply the non-preferential rules of origin that it applies in the normal course of trade.”

The above paragraph stipulates that the product exported under a quota tariff rate must be a qualifying good. In turn, the same paragraph defines the conditions that the product must meet in order to be considered a qualifying good. These two conditions are:

- 1) Comply with CAFTA rules of origin but with the following caveat:
- 2) Inputs obtained in the United States will be considered non-original.

The caveat is an exception in the application of the accumulation principle. In effect, inputs from the United States, despite being obtained in the United States, lose their status as being original and must be considered non-original at the time the rule of origin is applied for a product under quota. This is applied only to inputs from the United States. However, said paragraph says nothing about Central American inputs. Consequently, nothing keeps a Central American country from considering the inputs of another Central American country or Dominican Republic to be original.

For example, let us suppose that Nicaragua wants to export butter to the United States under the TRQ scheme, using milk imported from another CAFTA country. How would this clause be impacted if the rule of origin is applied?

- If the milk is originally from the United States, this input should be considered non-original, and when the rule of origin that governs butter is applied, it is considered non-original. Consequently, it is totally excluded from CAFTA benefits.
- On the other hand, if milk originating in Costa Rica is used, this milk will be considered original at the time that the rule of origin is determined. Thus, butter will be considered original and will have access to all CAFTA benefits.

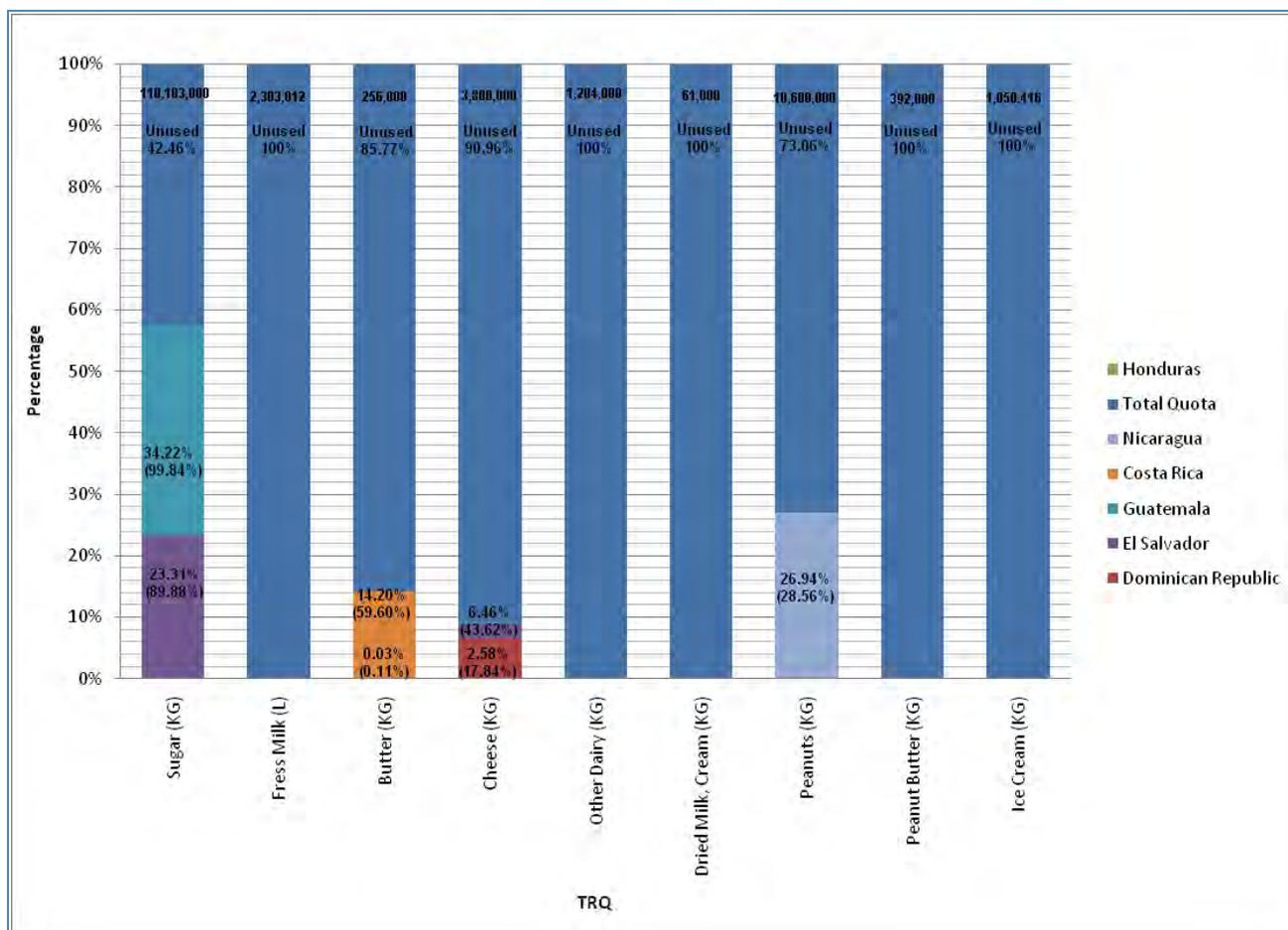
In other words, Central American countries, in the manufacture of goods that are exported under a quota system, can accumulate goods originating from another Central American country, but they may not accumulate U.S. goods in the manufacture of the same product.

This interpretation of the CAFTA regulation in fact offers a clear possibility for establishing binational value chains in the production of goods to be exported under the TRQ scheme.

Some of the quotas issued by the United States are being underutilized by Central American countries. This implies that Central American countries export less than what the quotas allow. The attached chart shows the level of use throughout 2010 of quotas issued by the United States under CAFTA. This underuse could be due to supply restrictions.

In this context, it is possible to analyze the regional supply potential that exists in the preparation of goods under quotas. If feasible, it may be possible to increase intraregional trade and in turn use to the maximum extent negotiated quotas that, as the chart shows, are in many cases being lost.

**FIGURE 8.2 CAFTA TRQ FILL RATES IN USA**



Source: <http://tse.export.gov/TSE/TSEHome.aspx>

### Undercurrents about Tariff Rate Quotas

Import quotas to export to the DR are filled each year by the United States. However, the beef industry is not worried about CAFTA-DR quotas for U.S. beef because the DR does not produce fine cuts and the country has a significant beef deficit. The dairy sector is more worried because it does not know the safeguard mechanisms available within CAFTA-DR to protect itself against imports from the United States. In addition, the rice sector is nervous about the decrease in import duties mandated by CAFTA-DR in favor of the United States. It feels that many countries, including the United States, subsidize their growers and make them more competitive, but the DR does not. This issue has become so politically

relevant that the MAG has set up a working group to take an in-depth look at these matters before it presents an official view on the subject.

The management of Tariff Rate Quotas (TRQs) in the DR corroborates the dimension of the rice issue. The MAG always releases them late. This causes problems for importers who learn the rules of the game late and as a result lose business opportunities. In May 2011, the latest rice TRQs were being held by the MAG because it was afraid of creating chaos in the country with respect to CAFTA-DR rice issues, despite the fact that the DR has a 20-year grace period to manage rice tariff rate reductions.

TRQs to import U.S. products under quotas are generally very small and are given out in small quantities to a large number of importers and a few non-importers, causing minimal impact in the marketplace. However, they somehow opened the market for U.S. products such as meat and dairy products. In several countries, regulations for TRQs have changed and now they cannot be sold as pieces of paper. They have to be used by entities. This action has eliminated volume and price speculations.

There is a difference in the way the United States and CAFTA-DR countries manage quotas. The United States uses a first-come-first-served system while CAFTA-DR countries allocate the TRQs to local importers based on history.

The few export quotas available from the DR to the United States are not being utilized. On the regional front, the country is having problems expanding trade with CAFTA-DR countries.

The rice industry in Nicaragua is the largest in CA and is made up of approximately 11,000 growers who produce 120,000 Mz. Productivity has increased steadily in the last decade since the implementation of technical support programs for the growers in 2000 and because production is now 80 percent under irrigation and 20 percent under upland rice. At this pace, Nicaragua will be self-sufficient in rice within two years. All these factors have come together to create an annual industry growth rate greater than that allowed under CAFTA-DR (three percent per year).<sup>23</sup> At the same time, U.S. export quotas increase each year (paddy rice at two to three percent and milled rice at five percent) and safeguards are not allowed by CAFTA-DR until the tariff rate is zero in the eighteenth year of the treaty. Furthermore, the CAFTA-DR safeguards cannot be applied at the same time as the WTO safeguards.<sup>24</sup> The obvious conclusion from these numbers is that Nicaragua's rice industry faces the threat of disappearance, as Honduras's rice industry disappeared in the 1990s. However, there are options available to be explored, such as additional markets for Nicaraguan rice and innovations such as high-volume industrial rice by-products, particularly noodles. Assistance in securing these options must be provided by the United States.

There are issues with the quality of the imported rice from the United States. Importers complain that the percentage of chalky kernels is very high and does not meet USDA standards.

The sugar industry in CAFTA-DR countries considers the CAFTA-DR sugar quotas very small and feels that as neighbors and partners of the United States, the industry is not receiving preferential treatment. In Costa Rica, for example, the CAFTA-DR quota covers only 27 percent of the available volume.<sup>25</sup>

Cheese has WTO and CAFTA-DR quotas. Milk has only CAFTA-DR quotas.

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<sup>23</sup> Personal communication with Danilo Cortez, President, National Association of Rice Growers, Nicaragua.

<sup>24</sup> Oxfam Briefing Paper. 2004. A Raw Deal for Rice under CAFTA-DR.

<sup>25</sup> Personal communication, Edgar Herrera, President, Liga Agrícola Industrial de la Caña, Costa Rica

Costa Rica sees TRQs for dairy products from the United States to the region as a threat to the industry, even though these are subject to 20 years of reduction and have a 10-year grace period within those 20 years. There are safeguards, but they are very small and when they are really needed at the end of the tariff reduction period, they will not be available.

### **Role of Regional Entities**

Within the Central American integration, broad institutionalism has developed. The maximum authority is the Meeting of Presidents of the System of Central American Integration (Spanish acronym SICA). They are responsible for important political decisions adopted by all the countries that are part of the system (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic as an Associated State).

SICA is organized in five subsystems: political, economic, social, environmental, cultural, and educational. Each is under the responsibility of a Council of Ministers with its respective Secretariat.

At present five countries are members of the economic subsystem: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The Council of Ministers for Economic Integration (Spanish acronym COMIECO) is responsible for the coordination, harmonization, convergence, or unification of the countries' economic policies. COMIECO is composed of the Ministers of Economy, Foreign Trade, or Industry and Trade. This council is also in charge of the negotiation and administration of trade agreements with third countries. COMIECO's technical and administrative secretariat is the Office of the Secretary for Central American Economic Integration (Spanish acronym SIECA).

#### *SIECA*

Based on Articles 43 and 44 of the Protocol of Guatemala, SIECA is ~~the~~ technical and administrative body for the process of Central American economic integration..." —Athe regional level it shall supervise the correct implementation of the Protocol of Guatemala and other legal instruments of regional economic integration and the execution of the decisions of the bodies of the Economic Subsystem." "It shall conduct the actions and studies that the bodies of the economic subsystem require. In addition, it shall perform the functions assigned by the Council of Ministers of Economic Integration or its Executive Committee. In the matter of economic integration, it shall have the power to submit proposals."

SIECA has existed for over 50 years, during which time it has accumulated wide-ranging experience in the process of Central American economic integration, especially in trade, with emphasis on customs tariffs. It also has a very important history of working in USAID's cooperation programs with the execution of PROALCA I and PROALCA II.

Taking into account this experience and technical capability, USAID selected SIECA during 2007–2010 for the execution of the Regional Program for Central America. The program supported the progress of the agenda for the development of commercial capabilities for the region, through the promotion of regional integration and harmonization of the commercial and customs systems in Central America. Priority areas of the program included implementation of the rules of origin in Central America and the Dominican Republic as well as development and implementation of improvements in customs administration. These issues are included in CAFTA-DR Chapters 4 and 5.

#### *OIRSA*

The International and Regional Organization for Agricultural Sanitary Services (Spanish acronym OIRSA) is an intergovernmental agency specializing in sanitary services for agriculture. It was founded

55 years ago to provide technical cooperation to the Ministries and Secretariats of Agriculture and Livestock in the nine member states (Mexico, Central American countries, and the Dominican Republic) in the protection and development of agricultural, aquacultural, and forestry resources through safe food production for the well-being of the population.

OIRSA's organizational structure is as follows:

- Board of Directors
- Agriculture Ministers
- Technical Committee
- Plant and Animal Health Directors
- Quarantine Directors
- Food Safety Directors (recent)

OIRSA provides support to member countries in the following areas:

- quarantine services (surveillance and treatments)
- fruit fly monitoring and control
- diagnostic laboratories
- prevention of exotic diseases of animals
- phytosanitary surveillance for nontraditional crops

Funding for OIRSA comes from membership dues from the different countries, amounting to US\$45,000 per country per year. Moreover, the provision of quarantine services is highly lucrative for OIRSA, Additional funding is secured from international donors through the implementation of development projects.

OIRSA's strength lies in the provision of quarantine services, composed of surveillance (inspection and diagnosis) and quarantine treatments. In Honduras and Guatemala, it provides both services, especially for agricultural imports and exports. In the other countries, except Costa Rica, it provides only quarantine treatments.

Related to SPS, OIRSA carries out the study and analysis of sanitary and food safety norms. Within this function, it coordinates with the OIE on modifications to established animal health norms. Since OIRSA's resolutions are not binding, it has to go through COMIECO to make binding resolutions for CA. The agency also participates in the WTO's SPS committee and conducts activities in support of risk analysis, harmonization of norms, and the administration of SPS standards. Specifically, OIRSA has an alliance with OSPESCA (Organización del Sector Pesquero y Acuícola del Istmo Centroamericano) in El Salvador to provide sanitary services, including pre-audit inspections to prepare the processing plants for full audits by the different markets.

Many stakeholders and donors feel that OIRSA is the only option to undertake SPS work in CAFTA-DR countries. The main advantage of this proposition is that OIRSA already controls quarantine inspections and treatments in the majority of the countries, although it is not very active in the DR except in supporting the Central Veterinary Laboratory (LAVECEN) in meat residue analyses.

### **8.3 Partners in Development**

During the past five years of USAID assistance to implement the CAFTA-DR Agreement, many stakeholders have developed to become effective partners in development who should be considered for future program activities. This section mentions the participants who distinguish themselves at the local and regional levels by the way they carry out their vision and mission, by their involvement with SMEs, and by any other attribute that sets them apart from other engaged organizations. Furthermore, these

institutions and individuals serve as a repository of knowledge and as a reference for future development activities. Most of them place special emphasis on SMEs, their participation, their problems, and their opportunities within CAFTA-DR.

**Institute for Consumer Protection of the Dominican Republic (Instituto Nacional de Protección de los Derechos del Consumidor, PROCONSUMIDOR)**

PROCONSUMIDOR is a decentralized autonomous institute under the umbrella of the Ministry of Industry and Commerce. It replaced the price controls agency within the same ministry. The consumer protection law in the DR is five years old; it empowers the institute to avert speculation and abuse against DR consumers. It is a constitutional and self-assertive law. It cannot be modified and gives the institute the capacity for law enforcement. For this purpose, the institute has a public prosecutor assigned full time.

**National Pineapple Producers and Exporters Chamber (Cámara Nacional de Productores y Exportadores de Piña, CANAPEP) of Costa Rica**

The pineapple chamber is a private–public alliance that works through the Commission for the Environment, universities, and various ministries. The chamber has a very strong relationship with the National Phytosanitary Service (*Servicio Fitosanitario del Estado*, SFE), which has a permanent representative within CANAPEP. Research and development activities are carried out jointly with Del Monte and the Technology Institute of Cartago and are part of an integrated strategy for Costa Rica to maintain its status as the world’s best pineapple growing and shipping country.

**National Phytosanitary Service (Servicio Fitosanitario del Estado, SFE), Costa Rica**

SFE is the plant health unit within MAG in Costa Rica. It is working actively with the private sector to facilitate market access for agricultural goods exported to the United States under CAFTA-DR. SFE recently spearheaded the formation of an alliance among the ornamental private sector of Costa Rica, the USDA, and SFE itself. This alliance is now working on establishing the “clean stock” program to facilitate the entry of ornamental plants from Costa Rica to the United States.

**Integrated Program for Agricultural and Environmental Protection (Programa Integral de Protección Agrícola/Ambiental, PIPAA), Guatemala**

PIPAA is an autonomous program under the Ministry of Agriculture and Food (*Ministerio de Agricultura y Alimentación*, MAGA). It provides sanitary inspection and sanitary precertification services for nonprocessed foods. PIPAA has experience in the inspection of nontraditional agricultural products. PIPAA is a model for other Central American countries on how to implement a public–private sector effort for the resolution of significant sanitary and phytosanitary problems. It is not, by itself, a sanitary and food safety organization. It is merely a small but significant piece of the puzzle.

**National Service for Agricultural Sanitation (Servicio Nacional de Sanidad Agropecuaria, SENASA), Honduras**

Like SFE in Costa Rica and PIPAA in Guatemala, SENASA in Honduras has been highly instrumental in allowing the country’s agricultural sector to take advantage of CAFTA-DR. Some of the sectors that have benefited the most in Honduras are shrimp, Oriental vegetables, and melons. —SENASA dictates standards and issues regulations aimed at regulating, controlling, and executing, through the Division of Food Safety (DIA). SENASA, through DIA and in conjunction with productive sectors, promotes and

coordinates information, communication, and training related to the adoption of good practices related to food safety.<sup>26</sup>

#### **Dominican Agribusiness Board (Junta Empresarial Dominicana, JAD)**

JAD in the DR is the largest organization of producers in CA and the Caribbean. It has more than 160,000 members. The country as a whole has 200,000 farmers. The institution has two pillars: lobbying and technology dissemination. JAD was founded by USAID during the Caribbean Basin Initiative and has grown into an institution with sufficient financial reserves (over DR\$70 million) and assets in buildings and other infrastructure.

#### **Association of Producers and Exporters of Nicaragua (Asociación de Productores y Exportadores de Nicaragua, APEN)**

APEN is a very high-profile private sector organization in Nicaragua that focuses on the critical factors that businesses face to be competitive locally and internationally, from accounting and finance to marketing and investment. It has over 300 members from the agricultural sector who group together more than 5,000 producers. APEN is financially self-sustaining. It has a multi-year business plan and participates in the Nicaraguan stock market. Under this framework, the Government of Nicaragua gives it a drawback based on sales. APEN's temperature-controlled storage infrastructure at the airport in Managua provides valuable services to exporters.

#### **Private Enterprise High Council (Consejo Superior de la Empresa Privada, COSEP), Nicaragua**

COSEP is composed of leading members of the private sector in Nicaragua and acts as the main link between the private sector and the Nicaraguan Government. It participates in the development of policies and the drafting of laws. Out of 44 laws approved by Congress in 2010, 25 were approved with COSEP's participation. CAFTA-DR's demand for legislative reform was absorbed by COSEP in Nicaragua. The council also works on the improvement of the business climate and on the transparency of business rules.

#### **PriceSmart, Costa Rica**

PriceSmart of Costa Rica is developing a distribution center in San José to service the region. Costa Rican products will make up 60 percent of the product mix. Supply, especially of perishable products, to the distribution center will require certification of SPS compliance, packing, and commercial quality following PriceSmart's own private standards. PriceSmart's quality team goes to the farms, the processing plants, and the slaughterhouses to conduct the certification. Traceability is also enforced through barcodes by processing lot numbers.

#### **Dos Pinos Cooperative, Costa Rica**

Dos Pinos is probably the best-known cooperative in CA and perhaps in Latin America (LA). It has been operating for 63 years and is presently processing 1.2 million liters of raw milk per day with a premium quality level of 99.89 percent based on counts for bacteria and somatic cells. Dos Pinos offers 500 different products to the market, but fluid milk is the main product.

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<sup>26</sup> [http://www.senasa-sag.gob.hn/index.php?option=com\\_content&task=view&id=114&Itemid=137](http://www.senasa-sag.gob.hn/index.php?option=com_content&task=view&id=114&Itemid=137)

### **Wal-Mart, Guatemala**

Wal-Mart Central America, recognizing the potential and the problems of the inter-regional market and with a genuine desire to assist in the development of small producers, has developed an alliance with USAID and the Federation of Small and Medium Enterprises of Central America (Federación de Pequeña y Mediana Empresa Centro Americana, FEPYME) to bring in the SMEs as suppliers for the regional market, and in some cases for export to the United States under the “a hand for growth” program. At present, 30 to 40 agricultural groups are participating. Wal-Mart has devised an effective methodology for the incorporation of SMEs.

### **REDDOM Foundation, Dominican Republic**

The Dominican Republic faces major competitive challenges, especially by small agricultural producers and processors. To them, CAFTA-DR poses a displacement threat as tariff reduction takes place for many sensitive products that for generations have been their main source of living. Finding ways to assist these producers and processors to become more competitive, improve the quality of their products, and increase their net incomes is a development challenge that has been taken up by the REDDOM Foundation. CAFTA-DR and other free trade agreements offer many export opportunities.

# ANNEXES

## ANNEX I: Matrix Program Results

USAID-SIECA Cooperative Agreement for the Compliance of Rules of Origin and Customs Procedures (SIECA)			
	EXPECTED RESULTS	REPORTED RESULTS / Main Achievements	EVALUATION RESULTS
<b>CHAPTER 4. Rules of Origin &amp; Origin Procedures</b>	Develop harmonized guidelines for ROO interpretation, application and administration.	Result #2 Uniform Regulations for the interpretation, application, and administration of Chapter 4	Creation of Common Guidelines for the Interpretation, Application, and Administration of Chapter IV and the Relevant Provisions of Chapter III of CAFTA-DR This was one of the project's most significant achievements. The guidelines gave exporters and importers greater security regarding the valid rules in some chapters of CAFTA; these should be put into effect soon. These guidelines, which apply to all countries, were finalized and approved by the governments of the Latin American members of CAFTA. The U.S. government is considering them for approval.
	Disseminate information and guidance to importers on how to meet requirements for establishing origin (could include webpages, trainings, technical assistance, etc.).	Result #4 Publication of origin dispositions on the SIECA Web site, the Customs Services and the Units for Administration of Trade Agreements	
	Support development and implementation of regional procedures for origin determination that are consistent with the WTO Rules of Origin Agreement and with the CAFTA-DR Rules of Origin Procedures.	Theoretical and practical training of the private and public sectors in rules of origin	
<b>CHAPTER 5 Customs Administration</b>	Support development and implementation of regional classification procedures in accordance with the WCO Harmonized System Convention and valuation procedures in accordance with the WTO Valuation Agreement.	Rectification of the rules of origin according to the amendments of the Harmonized System (HS) of the WCO	SIECA prepared the document, <u>Technical bases for the adaptation of specific CAFTA-DR Rules of Origin according to the Fourth Amendment to the Harmonized System.</u> Four meetings of the CAFTA-DR Origin Group in which this topic was addressed were based on this document. This activity was among the project's most significant achievements. SIECA's technical contribution was recognized by officials from various countries.
	Support making the rulings available to the public.		Despite the project's efforts, the application of Article 5.10 Advance Rulings is very limited in Central American Customs agencies.
	Support Chapter Five compliance among CAFTA-DR countries related to customs administration. (Publicity, merchandise dispatch, automatization, risk analysis, cooperation, confidentiality, express delivery, revision and appealing, and anticipated resolutions)	Elaboration and approval by the COMIECO of the legal framework applicable to the customs procedures established in the DR-CAFTA (CAUCA IV and RECAUCA)	It is important to highlight the development and completion of the common guidelines in relation to CAFTA Chapter 5 and the completion of the Central American Uniform Customs Code (CAUCA) update with its regulation, RECAUCA. These tools are key trade facilitators, helping to create a transparent and predictable

<p><b>CHAPTER 5 Customs Administration</b></p>	<p>Support the development of common goals to achieve Chapter Five requirements. (prepare the working documents for the Technical Committees in order to promote the harmonization among the countries)</p>	<p>Technical Assistance in the implementation of the procedures of the automated system for clearance under the Courier modality</p>	<p>environment in commercial transactions while removing the potential sources of error and confusion. For example, the absence of updated rules of origin motivates discretion error.</p>
	<p>Disseminate information and guidance to the private sector on new customs procedures and norms. (Could be through brochures, seminars, webpages, etc.)</p>	<p>Web pages of the customs services and SIECA with up-to-date information</p>	<p>SIECA does not maintain their website updated, it is important to improve the dissemination of the deliveries, which should always be available to users, especially in the private sector where there is constant need for information on customs, rules of origin, etc. This can be accomplished with the reinforcement of websites. It is advisable to share some products with business associations so they can publish them on their websites.</p>
<p><b>ALL CHAPTER</b></p>	<p>In addition, SIECA will assist with needs that arise out of the Tca committee meetings or other requests from signatory nations after approval from USAID.</p>		
	<p>Electronic certification in effect.</p>	<p>Result #1 Technical assistance to complete and implement electronic certificates of origin</p> <p>Result #3 Responsible for the sustainability of the GEDOEL</p> <p>Coordinate actions for the implementation of the exchange of the Single Customs Form (FAUCA)</p>	<p>Chemonics transferred the electronic system to create certificates of origin to SIECA and at some point, the software ceased to operate. SIECA's experts could not pinpoint a cause or the date of its disruption but they were able to identify outdated data, problems in the program's logic and the equipment's configuration, etc. These problems are not mutually exclusive and could be combined. Several SIECA officials explained that improvements were impossible because they did not have the source program.</p> <p>Customs Directors promote the implementation of FAUCA, some interviewees found the triangulation with SIECA to be unnecessary and lacking any clear benefits. They also object that participation could violate the confidentiality of commercial operations by involving unexpected third parties. Third, they observed that some customs agencies, such as those of Guatemala and El Salvador, are already sharing their documentation directly, thus avoiding SIECA altogether. They also said, "With this program, the Secretariat would achieve more prominence in commercial transactions."</p>

<b>CHAPTER 4. Rules of Origin &amp; Origin Procedures</b>	Handbook of common guidelines published and being applied.	Result #2 Uniform Regulations for the interpretation, application, and administration of Chapter 4	This was one of the project's most significant achievements. The guidelines gave exporters and importers greater security regarding the valid rules in some chapters of CAFTA; these should be put into effect soon. These guidelines, which apply to all countries, were finalized and approved by the governments of the Latin American members of CAFTA. The U.S. government is considering them for approval.  Government officials and businessmen agreed that the workshops were superficial, short, too broad, repetitive, and sometimes contained excessive references to Mexico, which is not a CAFTA member.  GEDOEL needs to be fixed to enhance the public as well as the business capacity on rules of origin. SIECA's website also needs to be enhanced; currently the website on the Customs Procedures page only contains five documents (CAUCA, RECAUCA, Guidelines on Customs Procedures, Transporters' Guidelines, Alphabetical Index of Products and Chemicals).
	Harmonization of documents related to rules of origin.	Result #2 Uniform Regulations for the interpretation, application, and administration of Chapter 4	
	Enhancement of the public sector capacity for the management and implementation of rules of origin.	Theoretical and practical training of the private and public sectors in rules of origin	
	Better knowledge of rules of origin by importers and exporters.	Result #3 Responsible for the sustainability of the GEDOEL	
	Web page informs public of the different rules of origin in effect for Central American countries.		
	Web pages of customs administrations updated and easily accessible for users.	Web pages of the customs services and SIECA with up-to-date information.	SIECA's website on CAFTA is insufficient in terms of content. For example, many of the documents mentioned in the final report are missing and it does not contain the changes to customs legislation. Delivery requires improvement and work because no technical complexity is required. National customs services have websites that are not linked to this project.
	Brochures and publications providing support for user on customs regulations and procedures published or distributed.		
	Automated customs systems and intelligent risk analysis tools implemented	Implementation of the System for Analysis and Valuation of Customs Risk (SAVA) based on WCO and international best practices.	There are mixed reviews regarding the SAVA risk analysis system. This system, developed by SIECA, was funded by a grant from Guatemala to the region. SIECA first installed the system in Honduras where it was improved. Subsequently, it was installed in Nicaragua and in 2010 it was installed in Costa Rica and El Salvador. The software was improved each time.
		Implementation of the DR-CAFTA regional node through web services for the electronic exchange of risk information on customs declarations.	
	Handbooks for customs procedures published and implemented	Elaboration of a Single Manual for Customs Procedures.	The handbook is an important outcome of the project. International trade experts consider it a very positive contribution. The procedures described in this
	Uniform regional procedures on advance rulings implemented.		

<b>CHAPTER 5 Customs Administration</b>			handbook are, by their nature, general and should be implemented by the countries. In short, the manual is completed but may not be approved.
	Elaboration, approval and implementation of procedures, administrative provisions and proposals of regional instruments.	Preparation of a proposal for a Mutual Assistance and Technical Cooperation Agreement among the countries of Central America and the United States.	SIECA did not supply any additional information or website on this matter, beyond its report. We are unable to assess the outcome of the product.
		Implementation of a regional database of fiscal paths (rutas fiscales).	
		Elaboration of proposals for tariff openings as requested by countries.	SIECA's technical assistance in adjusting the Harmonized System has been recognized as very effective. In all the countries, SIECA's work in this activity is very well regarded. There is a clear difference between the work done in this area and that done in other areas. Instead of its logistical support as in other cases, SIECA'S technical assistance was recognized.
	Common criteria for tariff classification and tariff reduction.	Provide technical assistance in the updating and modifications to the SAC.	
	Training of customs officers and private sector users on revised procedures and guidance.	Training of public and private sectors on the CAUCA IV and its regulations, as well as on customs procedures.	
	Technical assistance to the Committee of Tariff Policy, Vice ministers and Tariff Technical Group for the harmonization of the Central American Tariff System.	Technical assistance for meetings of the COMIECO, the vice ministers, the Customs Committee, and technical groups.	
		Strengthening relationships and creation of alliances between customs administrations and the private sector.	
Technical assistance to the Customs Committee and its commissions and technical groups for the modernization of customs systems	Technical assistance for meetings of the COMIECO, the vice ministers, the Customs Committee, and technical groups.		

EXPECTED RESULTS	REPORTED RESULTS / Main Achievements	EVALUATION RESULTS
<p align="center"><b>CHAPTER 4. Rules of Origin &amp; Origin Procedures</b></p>	<p>DGRA Rules-of-Origin Unit fully operational (i.e., appropriate organizational structure, procedures, authority, operational and compliance guidelines and manuals, fully trained staff) in compliance with CAFTA standards.</p>	<p>The custom director advises that: "It has strengthened the understanding of origin through a series of trainings on origin, on the following topics:                      * Audit techniques applied in verification of origin.                      * Focused training costs on origin verification of origin *.                      * Tariff classification of goods.                      * Case studies on origin verification.                      There has also been support through internships to share experiences with other countries in the area of origin.                      The origin department was restructured and its staff was trained and rotated to other areas. It was not possible to evaluate in detail its current operations because the Unit Chief did not attend the scheduled interview. There were some complaints from the private sector and related entities regarding the unit's excessive application of fiscal criteria. However, it was also apparent that the private sector was not aware of the custom office's capacity in the verification of origin. Some of these complaints were unfounded.</p>
	<p>In 2007, CBE consultants developed an Origin Verification Manual (Manual de Verificación de Origen) which provided the ROO department with the processes necessary to issue ROO decisions in compliance with CAFTA. CBE also provided training on textiles verification of origin, as well as Accounting Methods for Origin Verifications, Cost Accounting for Origin Verifications, and Principles of Rules of Origin.</p>	<p>The guidelines are covering most topics. Nevertheless, as mentioned in the previous paragraph, it is important to note that: a) operators and business organizations are not very familiar with the attributions designed in CAFTA for Custom's authorities; they are also unfamiliar with the origin verification mechanisms b) These guidelines appear to have a very rigid focus on certain steps authorities should follow. The courses organized focusing on textiles was very well reviewed both by Custom authorities and the private sector. The remaining private sector courses were not evaluated in their entirety because not much information was available. However, various sources from that sector coincided on judging them as superficial, repetitive and deficient. Some key sectors in commercial operations,</p>

			<p>e.g. Custom Agent were omitted in the program training.</p>
		<p>By the end of the CBE Project, the ROO department was capable of interpreting and correctly applying CAFTA related ROO, and had issued at least 5 advanced rulings on ROO.</p>	<p>Advanced Rulings (AR) are issued during consultations of tariff classifications. This information was recorded in Customs before but under a different procedure. This new system improved its operations and applications. Other AR issues such as origin and value have not been incorporated yet. Operators have not been recommended to use this application and there is not enough staff to respond to this type of request. Reports from Custom mention that <del>a</del> module for the administration of Customs in Honduras was developed and the possibility of adapting it to other countries in the region was analyzed. It was concluded, however, that it did not meet the requirements so it was redesigned. (Customs claims that it was developed by BAH but it is more likely to have been the work of Chemonics. Businesses are not familiar with this tool.</p>
<p><b>CHAPTER 5. Customs Administration</b></p>	<p>The DGRA Risk Management Unit with organizational structure, procedures, information systems, fully trained staff, and guidelines/manuals made available to private sector, leading to a reduction of cases selected for inspection from 15% to 5% and an increase in the rate of anomalies found from 25% to 50% or more.</p>	<p>CBE created the Selectivity Committee (Comité de Selectividad), composed of the Customs Director, Sub-Director, Director of Risk, Director of Operations. The Committee was given the responsibility of proposing, refining, evaluating and deciding the risk management criteria that would trigger inspections in the customs IT system (ASYCUDA ++).</p> <p>CBE created a model Selectivity Criteria Identification Document (Cédula de Criterio de Selectividad). With this Cedula the Committee was required to document the reasons that supported the creation of a specific selectivity criteria, as well as the definition of its rate of inspection, thereby giving transparency to the process of selection of criteria and increasing accountability.</p>	<p>During the interviews, the progress achieved in these aspects was verified. Contributions were identified in the operations of national projects (BAH)</p> <p>The project created Certificates of Selectivity Criteria, which Customs modified. For Customs, this project enabled the implementation of specific procedures relating to Risk Management, such as creation of Certificates of Selectivity Criteria, Criteria Reports, or the establishment of Selectivity Committee, among others "</p>

		<p>During the 4 years of CBE implementation with assistance from the project, DGA changed their risk processes and used the Committees and Cedula to select criteria for inspection based on hard-data and intelligence obtained from DGA's own archives.</p>	<p>The customs reports that: The implementation of the module was held May 7, 2010 and allowed it to focus its efforts and optimize the results of physical inspections. Some of the results include: increased revenue by \$ 173 million, identification of 3813 defaulters of the law, identification of critical areas of control, reduction of inspections (1620 less in the year, with 2% more effective).</p>
	<p>50 Companies actively operating PACE</p>	<p>To modernize Customs' Risk Management, CBE proposed the implementation of a new risk management system. CBE disseminated to the public this voluntary program via at least two large conferences, marketing materials and brochures, as well as information posters located at each of the main ports, and doorway of the San Bartolo customhouse.</p>	<p>Customs mentioned that they are working with a new system of risk management developed with BAH and Chemonics contribution. Salvadorian Customs is unfamiliar with the risk analysis system developed by SIECA SAVA. However they reported that the consultant Mr. Camacho gave then technical support in risk analysis A SIECA official reported that its project for improving Secretary's risk analysis in the Salvadorian Customs was managed by a consultant, Mr. Camacho.</p>
	<p>As a result, PACE was well received by the private sector, and a total of 40 companies became voluntary members of PACE by mid 2010, with an additional 8 companies in the review stage. Upon completion of the CBE Project, PACE had been transferred to the Customer Service department at DGA, who had appointed a team to directly operate the program. All of this staff had received PACE training</p>	<p>In the opinion of customs, the program has been well accepted by the country's business sector (37 companies certified)., PACE offers a better quality customs services and also offers the possibility of having the goods in the hold time by a low selectivity and preferential clearance inspections. The PACE is considered as a platform for the implementation of the OAS in the country. The head of PACE did not attend the reunion and could not be interviewed. According to the private sector diffusion and access to PACE was not as large as they expected and wanted and is now insufficient. Other areas of government also considered that the system is very good but its application is currently inadequate because a) The incorporation of companies in this program has been hampered the last time, (the gateway is small ") b) assessments are excessive and beyond the requirements needed c) major importing and exporting sectors have been excluded (eg . textiles)</p>	

	<p>DGRA with improved information systems, regulations, training, forms and procedures in place to fully implement article 5.2 of CAFTA, including the reduction to no more than 48 hours the average time for clearance and release from customs custody of non- risk determined imported goods.</p>	<p>During the end of 2008, CBE conducted a field assessment to determine the average clearance times at El Salvador's main ports<sup>2</sup> using the WCO methodology, and found that Customs was clearing non-risk goods in an average 15 minutes. Risk goods subject to physical inspection, were being cleared in an average of 22 hours. In both cases, DGA was in full compliance with CAFTA Article 5.2.</p>	<p>With respect to clearance former customs and chamber officials and businessmen think that Customs has improved over the last five years. However, there remains much to be achieved to have an efficient service all the time. Delays in Customs when additional information is required or clarifications are needed are not always justified. The services of customs agents are not very efficient because records are not kept in a registry; they are not trained properly and are not included in the training program. The services of these agents are not always well seen and delays in shipments could be linked to its management and fiscal deposits, which are privatized. Could this be problems of transparency / corruption?</p>
		<p>In contrast, using the WB methodology, the times increased significantly. Non-risk goods were cleared in an average 45.84 hours (still below CAFTA's 48 hours), while risk goods selected for physical inspection were being cleared in an average 106.56 hours.</p>	<p>Some procedures were improved but there are some coordination issues preventing it from achieving these ratios. There is no uniform time framework for the necessary proceedings in all custom offices. According to some interviewees, some border control is nonexistent between 10 pm and dawn.</p>
	<p>Streamlined processes for exports and imports that leads to a reduced number of procedures, documents, signatures, transit time, and overall cost of export/import, allowing El Salvador to meet or exceed OECD averages (as contained in the 2006 World Bank "Doing Business"</p>	<p>Done See table In the final report</p>	<p>see previous comment</p>
	<p>Reduce time to clear Courier and Airport cargo to less than 24 hours</p>	<p>CBE prepared a list of short, medium and long-term recommendations that DGA should address to improve the clearance process of air and courier goods. CBE expects that if some of these recommendations are implemented, the environment for handling courier shipments will significantly improve.</p>	<p>This issue should be further analyzed and worked. The project drafted some recommendations still awaiting implementation. Customs reported that AID facilitated the implementation of a simplified Courier procedure and its release. The involvement of financial institutions such as Citibank will be necessary to speed up this procedure.</p>

	EXPECTED RESULTS	REPORTED RESULTS / Main Achievements	EVALUATION RESULTS
<p><b>CHAPTER 4. Rules of Origin &amp; Origin Procedures</b></p>	<p><b>Component 1. Support CAFTA-DR countries in implementing the Rules of Origin procedures specified in Chapter Four of the treaty by the deadlines established in the treaty</b></p>	<p>RTP provided active support on two fronts: 1) to organize and train national origin officials in the efficient administration of the ROO and PO; and 2) to help private sector stakeholders understand, use, and avail themselves of the treaty's benefits through the correct application of the ROO and the PO.</p>	<p><u>Support to the Dominican Republic.</u> The project supported the DR's Customs by strengthening the Origin Unit with two reports. The first described a model for a Verification of Origin Unit. The second was a manual on verification of origin. The Verification of Origin Unit has already incorporated the suggestions and the staff interviewed was very pleased with the results.</p> <p><u>Support to Nicaragua.</u> RTP's report does not mention the very successful work that was conducted in this country. The evaluation team found the staff well trained with in-depth knowledge of its functions. With RTP's support it has formed a Department of Origin. The project trained the staff in verification of origin during four workshops. This unit is operating and has already conducted eight verifications on different types of products.</p> <p><u>Guidelines for verification of rules of origin.</u> Several of these guidelines refer to manuals of verification by country of origin. The manuals are general in nature and do not address each country's specific agreements.</p> <p><u>Electronic tools: GEDOEL and Virtual Training Course.</u> 1) GEODEL is currently not working, it could not be evaluated. From other interviews and documents, it was possible draw the following conclusions:</p> <p>a) Program developers acknowledged that (I) this is an initial version that could be improved, and (ii) some questions may be confusing.</p> <p>d) The US\$1,500,000 savings mentioned in RTP's final report are not accurate because: The software does not keep a record of the certificates issued; it only tracks the number of times it has been used. If the estimated certificates had been issued, the total amount of savings</p>
	<p><b>KRA1.1: Regional ROO Authorities Organized and Trained to Provide Coordinated and Compliant ROO Administration and Supervision</b> Promote best practices in export/import in the region (Article 5.2). Promote streamlined procedures (Article 5.2). Develop procedures for electronic submission via single manifest per shipment (Article 5.3). Strengthen risk management units (Article 5.4). Creation of a dynamic ongoing training program (Article 5.4). Improve risk management tools (Article 5.4). Promote international best practices for verification and post-entry review (Article 5.4). Strengthen existing mechanisms to guard data integrity. Support customs agencies in the development of a system of public/private keys. Provide specialized technical IT assistance through Evolver. Draft regional classification procedures (Article 5.5). Enable application of 2002 Harmonized Commodity Description and Coding System at the eight-digit level (Article 5.5). Improve confidentiality (Article 5.6). CAFTA-DR Assist counterparts with developing procedures to issue rulings in advance of importation (Article 5.10).</p>	<p>RTP's efforts led to new, revised, and more efficient organizational structures; clearly defined staff requirements, duties, and responsibilities for each position; new procedures manuals; and improved capacity to perform verification of origin procedures, post clearance audits, and the issuance of advance rulings. Examples include the following: 1) A new department of origin in the Dominican Republic With RTP support, the General Customs Administration of the Dominican Republic (DGADR) established the Department of Rules of Origin tasked with origin verification and audits. 2) A strengthened verification of origin unit in El Salvador. Since its establishment in 2004 under the General Customs Administration of El Salvador (DGA-ES), the Verification of Origin Unit has been in a state of constant evolution. 3) Building capacity and practical training RTP offered targeted training programs to the staff of the region's origin units that emphasized practice over theory. This led to improved oversight of compliance with the standards of origin for importing goods and contributed to more fairness in customs collections procedures. 4) Development of manuals for ROO administration RTP worked with the region's origin units to develop complete manuals on verification of origin tailored to each country. 5) Training the business community in ROO Working in conjunction with the Secretariat for Central American Economic Integration (SIECA), RTP designed and implemented training plans on origin issues for each country. 6) Creating innovative electronic tools. RTP looked</p>	

	<p><b>KRA 1.2: Improved Outreach and Facilitation of Customs Administration Procedures with Private Sector Support</b> Network.  Publications (Article 5.1).  Performance Standards:  Article5.1 - Publication:.  Article5.2- Release of Goods: CAFTA-  Article5.3- Automation  Article 5.4 - Risk Management:  Article 5.5 - Cooperation:  Article 5.6 - Confidentiality:</p>	<p>for other ways to train the international trade community and foster understanding and the proper determination of origin. RTP designed and developed innovative electronic tools to address this problem such as GEDOEL and a Virtual Training Course .</p>	<p>would only be US\$40,000, not US\$1,500,000 as indicated in RTP's report. The evaluators have not received any information about Certificates of Origin being issued with this software  2) Virtual Training Course on Rules of Origin: Those interviewed considered the training very basic and general. The CD only focuses on the basic concepts of a chapter on origin. It does not discuss the specifics of many important CAFTA articles. The software is not interactive. It was a basic introductory course. Since the issue of origin is very complex, it was preferable to develop a software program with more mass appeal. A lack of funds limited the number of its modules. These new modules should focus on more complex aspects of origin, particularly CAFTA.</p>
<p><b>CHAPTER 5</b>  <b>Customs Administration</b></p>	<p><b>Component 2. Support CAFTA-DR countries in meeting the Customs requirements specified in Chapter Five of the treaty by the deadlines established in the treaty.</b></p> <p><b>KRA2.1: Regional Customs Organizational Structures Organized and Trained to Facilitate Trade through Improved Risk Management</b></p>	<p>RTP identified the need to continue building capacity in risk management units to enable them to develop their own risk matrixes and generate dynamic probabilistic models that would safely reduce the number of inspections. RTP designed, developed, and implemented a series of complementary computerized modules to improve risk management systems in the customs offices of</p>	<p>The following conclusions were drawn from the interviews:  <u>Risk Analysis</u> is another issue for which it is difficult to identify the individual contribution of each of the three projects evaluated. BAH was focused solely on El Salvador, where SIECA and Chemonics also operated. In the other countries, only SIECA's and Chemonics' functions overlap. ii) Recipients often confuse</p>

	<p><b>KRA 2.2: Improved Outreach and Facilitation of Customs Administration Procedures with Private Sector</b></p>	<p>El Salvador, Guatemala, Honduras, and Nicaragua (see box 3). This was done in close collaboration with SIECA, which, with USAID support, designed and implemented basic risk management systems in Honduras and Nicaragua. RTP worked with the management of customs offices in CAFTA-DR countries to strengthen the organic structure of their risk management units and ensure that they have in place the right staff and technical tools to perform their duties efficiently. RTP developed customs manuals for Honduras, Nicaragua, Guatemala, and Costa Rica. These manuals provide complete information on customs procedures for the import and export of goods, the legal and regulatory framework, the application of free trade agreements, and rules of origin.</p>	<p>the origin of the aid they receive. iii) Altogether, the evaluated projects on Risk Analysis were successfully. <u>Offices' processing times and physical inspections.</u> i) Customs services have improved their work since the implementation of CAFTA. However, some have experienced setbacks in the last two years. ii) There were criticisms of Customs: excessive tax collection, delays, and/or insufficient training and high turnover of staff. iii) Some Customs authorities said their dispatches are processed within 48 hours, but importers do not always agree. iv) Importers reported delays of six or more days in Customs. <u>Developing Customs manuals to promote transparency.</u> Because of the usefulness of these manuals, their use should be disseminated. Their publication on the internet is recommended. It will be more efficient and useful if the documents are divided according to topics instead of being posted as an entire file. <u>Virtual Single Windows for Imports.</u> Results showed that this decision was not successful. The individuals interviewed revealed that VUVIs were set up differently in each country, but they did not work. In addition, the majority of interviewees expressed their support and recognition for the Single Windows in the Central Bank of El Salvador, Agexport in Guatemala, and Centrex in Nicaragua. <u>Advance Rulings.</u> The Advance Rulings (AR) is not specifically included in the report. The development of AR manuals was useful in the implementation of CAFTA procedures. It is important to promote the use of Advance Rulings. Since the groundwork is done, it is only necessary to promote it and provide the necessary training to its users. It is advisable to develop a software program for internet use.</p>
	<p><b>Component 3. Demand-Driven Trade Capacity Building to CAFTA-DR Countries</b></p>	<p>RTP conducted Trade Capacity building in the following programs: 1) Institution building in the Dominican Republic's Office of Foreign Trade (DICOEX). RTP helped strengthen</p>	<p>Based on opinions of government officials and private sector participants the workshops were superficial, they contained a lot of repetition and sometime were not oriented to specific country circumstances (Mexico was constantly brought as a reference when this</p>

<b>CHAPTERS 4 and 5</b>	This component focuses on the role of SIECA in facilitating CAFTA-DR compliance and it aims to communicate and progressively harmonize customs reforms region-wide.	foreign trade management within the DICOEX, by establishing the roles and duties necessary for implementation and administration of trade agreements, including CAFTA-DR. 2) Improving the payment platform of the government of El Salvador (P@GOES). RTP assisted with institutional modernization and the construction of e-government in El Salvador by improving and expanding the electronic payments platform P@GOES. 3) RTP conducted extensive training on priority topics relevant to compliance with CAFTA-DR such as: Civil servants, judicial officials, and private sector representatives from El Salvador, Honduras, and Guatemala. RTP built public and private sector capacity in origin issues in each country to ensure proper regulatory application. 4) Support for the TCB RTP provided support for the thematic, administrative, and logistical preparations for the TCB's annual meetings. In addition, the project worked with other U.S. agencies of and with multilateral entities to map out all of the assistance programs sponsored by the U.S. Government and international donors, in the context of the national action plans for trade capacity-building.	is not a CAFTA country). Key participants from government in the trade sector, business associations and customs would not participate in such events. Government representative mentioned that the workshops did not have a practical approach that could help them improve their performance. Together with the superficiality of content, some countries expressed the fact that some topics have not been properly covered such as accumulation, verification, short supply, value content, etc. Nevertheless, during the interviews several successful workshops were identified: <ul style="list-style-type: none"> <li>• Training of Origin Unit staff in Nicaragua.</li> <li>• The Verification of Origin workshop held in Costa Rica was praised and Customs authorities stressed that they could participate in the definition of content along with RTP.</li> <li>• The workshops to train judges were very important. The research on verification of origin may result in high payments for importers, who will seek an appeal in various forums (administrative, commercial, and chambers of commerce).</li> <li>• RTP training in the textile sector was well received and very successful.</li> </ul>
	Promote proactive transparency through SIECA roundtables. SIECA and/or TCa Committee requests brought to the contractor by USAJDE-CAM are effectively responded to. Performance Standards:		
	SIECA and/or TCB Committee have access to high-quality technical assistance in order to enable them to function as effective mechanisms for responding to identified regional TCB needs.		
	At least one short-term activity per year executed in response to the SIECA and/or the TCB Committees identified priorities/needs. (with USAID concurrence)		
	SIECA and/or TCB Committee requests brought to the contractor by USAID E-CAM are effectively responded to.		
	SIECA and/or TCB Committee effectiveness as regional priority setting and coordination bodies is strengthened by having access to the technical assistance to effectively respond to regional issues.		

**USDA-PAPA Sanitary and Phytosanitary Standards (SPS)**

EXPECTED RESULTS		REPORTED RESULTS / Main Achievements	EVALUATION RESULTS		
<b>CHAPTER 6 Sanitary and Phytosanitary (SPS) Measures</b>	Number of policy reforms analyzed with USG assistance = 2	Number of policy reforms analyzed with USG assistance = 26			
	Number of policy reforms presented for legislation/decreed as a result of USG assistance = 1	Number of policy reforms presented for legislation/decreed as a result of USG assistance = 24			
	Number of institutions/organizations undergoing capacity/ competency assessments as a result of USG assistance = 2	Number of institutions/organizations undergoing capacity/ competency assessments as a result of USG assistance = 90			
	Number of institutions/organizations making significant improvements based on recommendations made via USG supported assessment =24	Number of institutions/organizations making significant improvements based on recommendations made via USG supported assessment =98			
	Number of individuals who have received USG supported short- term agricultural enabling environment training = 410 (M)** 90 (F)** 500 (T)	Number of individuals who have received USG supported short-term agricultural enabling environment training = 284 (M)** 129 (F)** 4,339 (T)			
* to the end of FY 2010 ** FY 2010 only					
<b>PROJECT RESULTS</b>					
<b>Seven SPS Priority Areas During DR-CAFTA Negotiations</b>	<b>Project Purpose/Objective</b>	<b>Project Performance Indicator</b>	<b>EXPECTED RESULTS</b>	<b>REPORTED RESULTS / Main Achievements</b>	<b>EVALUATION RESULTS</b>
Integrated SPS regulatory information systems	Allow government and industry personnel (with remote and automated access) to regulate import and export requirements for plants, animals, and animal products	Number of policy reforms analyzed with USG assistance	2	27	27
Upgrade laboratory infrastructure and analytical methods capability	Provide laboratories with the capability to analyze product samples for compounds or organisms not included in ordinary testing programs.	Number of policy reforms presented for legislation/decreed as a result of USG assistance	1	26	26
Strengthen national WTO/SPS enquiry points	Educate FTA partners on the requirements of the SPS Agreement (the notification authority)	Number of institutions/organizations undergoing capacity/ competency assessments as a result of USG assistance	2	94	94
Develop animal health, inspection and sanitary standards for animal products	Assist CAFTA partners in developing a regulatory system that would create food safety standards such as: HACCP program components, Operational Sanitation and Sanitation Performance Standards, Good Manufacturing Practices and utilize HACCP-based audit techniques	Number of institutions/organizations making significant improvements based on recommendations made via USG supported assessment	24	94	94

Harmonize risk assessment methodologies and development of risk mitigation methods	Harmonize risk assessment procedures with Food and Agriculture Organization (FAO) guidelines so that partners will be capable of identifying pests or pathways, assess and manage pest risk	Number of individuals who have received USG supported short-term agricultural enabling environment training	410 (M) 90 (F) 500 (T)	1,476 (F) 4,055 (M) 4,531 (T)	1,476 (F) 4,055 (M) 4,531 (T)
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## **ANNEX II: Answers to the Questions Posed by USAID**

### **General Questions**

**Q. Should the U.S. government increase, reduce, or otherwise focus its assistance to the region with respect to building capacity to implement the various chapters of CAFTA-DR? If continued implementation-related assistance is required, in which areas is the assistance most needed?**

*A. USAID should increase its assistance to the private sector, the “makers of trade,” focusing on effective private sector organizations that give high priority to SMEs (see Chapters X and XI of the evaluation report for more information).*

**Q. Should the U.S. government increase, reduce, or otherwise focus its assistance to the region in the area of building greater capacity for trade facilitation? If continued assistance is required in this area, in which category or subject matter—and in which countries and through what approaches or implementing mechanisms—would such assistance have the greatest impact?**

*A. USAID should increase its assistance to facilitate inter-regional trade within a CAFTA-DR platform (see Chapters VIII, IX, and X of the evaluation report for more information).*

**Q. Is there a gender approach that should have been applied to ensure better gender equity results? What was missing in each project’s approach? If so, please describe.**

*A. The results from each project and the evaluation showed there was good gender equity in the implementation of the different projects and in targeting women as beneficiaries. Nothing was missing that would have yielded a different appreciation of results on gender equity (see Chapter X of the evaluation report for more information).*

**Q. What trade barrier reductions would have the largest direct impact on food security in the region? (For example, price information, sanitary and phytosanitary standards [SPS], transportation, customs, etc.)**

*A. All of the trade barrier reduction mechanisms mentioned in the question will have great, positive impact on food security in the region (see Chapter VIII of the evaluation report for more information).*

**Q. What did each project achieve (what were the actual results) relative to the expected results?**

*A. See Annex 2 of the evaluation report for more information.*

**Q. Within each project, where did implementation fall short of achieving expected (or desired) results and what factors constrained implementation from achieving greater progress toward targeted results?**

*A. All the projects fell short in achieving expected and desired results (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. What are the respective views of USAID, implementers, and beneficiaries with respect to weaknesses and strengths in the design, implementation, and management of each of the four projects?**

*A. All projects had design, implementation, and management issues that were mentioned by USAID and beneficiaries (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. Over the course of implementing each project, what significant corrections were made in the project’s technical and/or management approach, and which corrections were effective or not?**

*A. Only the USAID Regional Program for CAFTA-DR Implementation (Chemonics Project) had significant corrections made in the technical and management approach (see Chapter V of the evaluation report for more information).*

**Q. Over the course of implementing each project, what new best practices were identified or revalidated (if already known)?**

*A. In training for capacity building, the one-on-one, learn-by-doing approach was revalidated as the best approach (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. Over the course of implementing each project, what major “lessons learned” emerged?**

*A. All projects lacked a monitoring and evaluation system to allow for the precise periodic tracking of progress and a final comprehensive evaluation (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. Overall, what have been the strengths and weaknesses of the program comprising the four projects mentioned in the scope?**

*A. A good number of strengths and weaknesses were identified for each project (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. Based on the experience of those regional and bilateral projects evaluated, in which areas is USAID assistance most urgently needed?**

*A. Effective electronic customs tools to accelerate customs clearance both for exports and imports and the incorporation of SMEs in the CAFTA-DR process (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. What are the most effective ways to ensure effectiveness and future intervention in light of the best practices and lessons learned?**

*A. Interventions have to be in situ, focused, monitored, and tutored and they need to address severe constraints and/or significant opportunities faced by beneficiaries. The latter need to be involved in project design as well (see Chapters IV, V, VI, and VII of the evaluation report for more information).*

**Q. To what extent is U.S. government assistance sustainable? Why? What recommendations can be implemented for future U.S. government assistance?**

*A. Assistance to the public sector will not be sustainable until job security in government employment is ensured for public employees in the region. Otherwise, capacity-building activities such as training need to always be ongoing or be repeated often (see Chapters IV, V, VI, and VII of the evaluation report for more information). Assistance to the private sector is more sustainable if it is in situ, focused, monitored, and tutored and if it addresses severe constraints and/or significant opportunities.*

**Q. Were there negative or positive impacts on gender equality? If so, what should the U.S. government do to enhance positive ones and avoid negative ones?**

*A. Women have benefitted greatly from CAFTA-DR and the gender issue seems to be becoming irrelevant in the region as women are fully participating socially and economically in the different countries.*

**Q. How effective are the interventions of regional organizations such as SIECA and COMIECO in the execution of intended results and impacts and in program implementation? How effective are contractors in undertaking these interventions versus regional organizations such as SIECA?**

*A. Regional organizations, especially SIECA, fared poorly in the evaluation. However, both contractors and organizations are needed for the effective implementation of projects since contractors have good*

*access to global technology and human resources and organizations have more access to government officers and institutions.*

### **Sanitary and Phytosanitary Standards (SPS) Questions**

**Q. How effective has USAID/USDA assistance been to build SPS capacity in the government and private sectors of CAFTA-DR countries?**

*A. USAID/USDA assistance was very effective in training public sector officers on procedures (how to) to monitor SPS compliance. As long as the application of the procedures remains in effect with regard to personnel changes and insufficient resources, capacity-building efforts will pay off. The private sector did not receive the amount of assistance that the public sector enjoyed because of the project's focus on the public sector.*

**Q. Did CAFTA-DR governments, Ministries of Agriculture, and Animal and Plant Health Divisions feel that the program met their expectations?**

*A. Government organizations and units dealing with livestock felt that the program met their expectations; other organizations and units received little or no assistance from the program.*

**Q. What are the private sector's opinions with respect to the program?**

*A. The private sector felt that the program fell very short in addressing their SPS concerns and needs.*

**Q. How did the changes in administrations (changes of governments with consequent staff turnover, etc.) during the life of the project in Central America and the Dominican Republic affect the program? What are the lessons learned in this respect?**

*A. Lack of job security in government employment and high government staff turnover negatively affected the program, mostly from a sustainability standpoint. Activities were carried out on schedule, except in Honduras during the government crisis when there was a lengthy interruption, and activities were well attended.*

**Q. What are specific recommendations with respect to SPS as it relates to food security for future activities?**

*A. The National Sanitary and Food Security Systems urgently need to be upgraded in the different CAFTA-DR countries in order to create a food safety culture and environment, both for export and domestic products. Assistance has focused on strengthening only a part of the system that addresses the safety of products for export, such as inspection and certification. Many other elements also need to be addressed.*

**Q. Where is the region in terms of harmonization of standards and quality as compared to other regions?**

*A. The region has a long way to go to achieve harmonization of standards, especially to facilitate inter-regional trade. However, CAFTA-DR has contributed a great deal to the implementation of standards to comply with U.S. requirements. In that respect, the region is ahead of other regions.*

**Q. How has SPS helped to reduce poverty? Can this be directly correlated with food security objectives?**

*A. SPS has reduced poverty by playing a critical role in expanding trade in agricultural goods. More employment opportunities were offered to poor people as trade increased and more production units and processing facilities were established.*

**Q. What size of firms and level of population received assistance under the USDA program (for example, small, micro-, large enterprises, etc.)?**

*A. Assistance from the USDA program was focused primarily on the public sector. On the few occasions when the private sector was involved, well-established firms with adequate production and processing facilities received indirect assistance. In a few cases, there were one-on-one trainings in which private sector firms participated. In general, SMEs scarcely participated.*

**Q. How can experiences be applied to future activity in SPS to benefit small producers, alleviate poverty, and increase access to food?**

*A. Production linkages targeted to specific value chains offer the best opportunity for small producers.*

**Q. How can the SPS technical team be effectively coordinated by COMIECO?**

*A. The SPS technical team should be coordinated by cognizant, experienced entities in the region addressing agricultural food-related matters, not by a body of Ministers of Economy. At this point in time, OIRSA is the closest organization to SPS at the regional level. However, many in the region feel that OIRSA is not the best institution due to its expanded obligations to Mexico, Panama, and Belize. Most countries in the region are presently seeking to improve their SPS function by creating a National Sanitary and Food Safety Institute. If this is the case, a corresponding Regional Committee of these institutes should be the regional SPS body.*

**Q. What are the concerns about the technical capacities of SPS trade negotiators and the effectiveness of SIECA to support the regional negotiations for Customs Union harmonization?**

*A. The technical capacity of trade negotiators has been under scrutiny even since the first round CAFTA-DR negotiations. It is a reality, but efforts are ongoing to increase this capacity through international cooperation. SIECA's effectiveness in supporting regional negotiations for Customs Union SPS harmonization needs to be questioned as well, in view of the fact that this subject matter and this area of expertise are foreign to SIECA. Moreover, SIECA's institutional capacity is presently being questioned by many private and public sectors and international donors.*

**Q. Which products and procedures related to SPS still possess a trade barrier that prevents agricultural producers, especially in border municipalities, from benefiting from free trade with neighboring countries? (For example: pork, dairy, and poultry products; fruits and vegetables.)**

*A. All of the products included in the question possess a related trade barrier. However, livestock products in general, including beef, face more barriers than plant products.*

**Q. What actions are necessary at national level to open the intraregional markets for small producers?**

*A. Production linkages for specific value chains with primary production originating in specifically selected areas (Agricultural Free Trade Zones) to facilitate inter-regional trade where SPS officers from all countries involved in the trade are allowed to maintain active surveillance and are authorized to issue special import and transit permits to expedite border crossings.*

**Q. Would a specific trade regime for border municipalities, such as Free Trade Zone areas in municipalities where poverty is highest (e.g., Honduras's southwestern border with El Salvador and Guatemala), be feasible?**

*A. This is the same principle developed in the answer to the previous question and is a sound principle that is worth trying.*

## **ANNEX III: Small and Medium Enterprises and their Growth Potential**

Mostly large companies have benefitted from CAFTA-DR, especially those that were already exporting and had an exporting infrastructure in place, in addition to financing, experience, and knowledge. Small growers and/or small and medium enterprises have benefitted little except perhaps in Nicaragua where great benefits have been obtained.

### **Characteristics of SMEs**

The small operators sector is highly dispersed and tends to avoid grouping in some countries, except perhaps Nicaragua. It also lacks education and training. The sector is mostly concentrated on metalworks and agroindustry.

### **Nicaragua, a Model for Success**

The Government of Nicaragua and most NGOs operating in the country have made a conscious effort to develop SMEs. As a result many SMEs are exporting directly to the United States through CAFTA-DR. Dairy products, baked goods, candy, honey, and fish are some of the most favored product categories. More advanced SMEs are engaged in shoemaking and in the production of fruits, vegetables, coffee, cocoa, and beef.

Nicaragua has 155,000 enterprises registered as formal SMEs and 500,000 registered as informal (the SME law includes the informal sector). The success of the SMEs in Nicaragua can be attributed to the sociopolitical process that the country has been undergoing for the last three decades. The Sandinista revolution dismantled the productive apparatus and placed the production burden on small operators. As the economy began to re-emerge, the great majority of the supply was in the hands of individuals and/or SMEs. Larger manufacturing and/or distribution companies had no choice but to purchase from these small operators.<sup>27</sup>

Many of these small groups have become cooperatives and associations. In turn, cooperatives have come together to form federations and unions of cooperatives. Cooperatives are more common in the northern section of the country due to the dairy industry's efforts to group small producers in order to facilitate the dissemination and adoption of technology and compliance with SPS. Several cooperatives in this region have become very powerful economically through CAFTA-DR and cooperation from international donors. Their operations are very similar to those of private companies, even in terms of their human resource policies.

The Nicaraguan law on cooperatives has also favored the development of new cooperatives. Under this law:

- Each member is an owner.
- Members receive services provided by the cooperatives.
- Permanent fiscal incentives are in place for cooperatives.
- Exemptions on income tax payments are in place for the first three years of operation.

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<sup>27</sup> Personal communication with Gilberto Alcocer Lobe, President, Confederation of Small and Medium Enterprises, and Oscar Alemán, Private Consultant.

SMEs are very important in Nicaragua's beef and milk industries. Figures by CONAGAN indicate that 85 percent of beef and milk producers are smallholders with plots of land ranging in size from 10 to 50 Mz (17 to 85 acres) in size. The average number of heads of cattle per farmer is 27.

### **Constraints Faced by SMEs**

- SMEs suffer from lack of financing in the majority of CAFTA-DR countries. The traditional banking sector does not reach them and tangible guarantees such as land are not possible due to land titling issues in most of these countries.
- SMEs also suffer from lack of technology and innovation in their manufacturing processes. As a means to success, they use production linkages, but these linkages need to be improved to position the SMEs nearer to the market.
- SMEs lack market reach such as promotions and participation in international exhibitions. They also suffer from lack of research and development.
- Payment delays. SMEs in the DR do not sell to the government because it takes a long time to pay or does not pay at all. There is a huge potential to be realized by these enterprises if they can be paid quickly by the government since procurement regulations mandate buying from SMEs. Many SMEs sell vegetables to hotels and restaurants; these also take a long time to pay, usually 90 days, but in the low tourist season payments may take up to 120–150 days. They sell their invoices to private companies to get around this constraint and to generate the cash flow required for continuous operation.
- SMEs face the cost of social benefits that in many countries are as high as 40 to 60 percent of salaries. This burden creates a major impact on the bottom line of SMEs.

### **The Future Development of SMEs**

In Costa Rica, 80 percent (2,200) of the SMEs have become exporters, mostly through production linkages. They are now looking at the next steps to rise higher:

- creation of exportable supply
- added value
- supply chain approach
- innovation and product development
- financing
- business information systems (cost of freight, cost of inputs, etc.)
- the region as a large local market

In general, SMEs have a great deal of interest the inter-regional market where they already have a significant indirect presence. This market is very promising for SMEs because:

- It is nearer.
- It does not have a high degree of sophistication.
- It shares social and business cultures.

A good example for the development of SMEs is the USAID-RED Project in the DR. This project is assisting small growers with 17 value chains made up of tropical fruits (mango, pineapple, and banana), traditional crops (coffee and cocoa), as well as cassava and organic products. The MAG Food Safety Unit is conducting certification of production through the IDB-sponsored PATCA Project. Growers organized in clusters learn to do business together and use production linkages to access potential markets. The

project has a discretionary fund of up to US\$75,000 to enable the implementation of small infrastructure projects needed by the beneficiaries to add value to their products. This is an excellent development tool that has been used in other high-impact USAID projects such as the Partnerships for Food Industry Development (PFID) Project in Nicaragua.

## **ANNEX IV: Documents Reviewed**

All documents reviewed in this assessment can be viewed and downloaded at: [www.caftadr.net](http://www.caftadr.net)

## **ANNEX V: Comments and Responses to the Evaluation of USAID-USDA Participatory Agency Program Agreement for Sanitary and Phytosanitary Standards**

### **Comment:**

The PAPA was originally scheduled to be a four-year program, ending in September 2008. The PAPA was signed in May 2004 but activities actually started one year later in 2005. In 2008 USAID decided to fund it for another two years until September 2010. Later, it was extended to May 31, 2011.

Consequently, there was never a sense of a long-term project. This explains, in part, the “low-hanging fruit approach”. In addition, this also may help explain the evaluators’ comment on page 35 that “initiatives and activities undertaken were specific in nature and did not correspond to a concerted effort to create a better domestic sanitary and food safety environment for CAFTA-DR countries.” Furthermore, the lack of a functional CAFTA-DR SPS committee, which could serve as a steering committee, was a factor that may have impacted negatively on the identification of needs and closer collaboration with the private sector, because there was no formal counterpart to have a dialogue on regional needs and priorities. In addition, some of the weaknesses noted in the report are very categorical and may merit some additional explanation/elaboration.

### **Response:**

*By the time the CAFTA-DR came into effect in 2006, the region had experienced the Caribbean Basin Initiative (CBI). This initiative was the precursor to the more elaborate Free Trade Agreement and addressed the same areas of interest with regard to exports of agricultural foods to the United States, both fresh and processed. (CAFTA-DR now covers a wider scope of interests and concerns for the regions and the United States, such as the environment, labor, intellectual property, services, etc.) Regional food exporters wanting to sell their products in the U.S. market faced the same basic problems and concerns during the CBI as they faced at the beginning of CAFTA-DR. Although a great deal of experience and knowledge was gained through the CBI, perhaps the greatest impact of President Reagan’s Initiative was that it disclosed the more relevant weaknesses of the region to meet SPS under an operational mode. The USAID/USDA PAPA for SPS could have benefitted greatly from the lessons learned during the CBI to avoid focusing on “low-hanging fruits” since solutions to regional structural problems offer greater potential for long-term success.*

*The same general argument is valid with respect to the Food Modernization Act (FMA). This law had a long gestation period, but it was certain it would come into effect sooner rather than later due to the significant and steady increase of food imports by the United States, especially fresh produce from Mexico and Central America through the CBI and other trade mechanisms. It is obvious that the text of the law was not known at the beginning of CAFTA-DR, but its purpose and objectives were very clear. The intention of the U.S. government was to make exporting countries address structural problems in their sanitary and food safety systems to eliminate potential risks posed by weak national systems in order to guarantee the continuous safety of the foods exported to the United States. Weaknesses in national systems are caused by many limitations. The lack of coverage by field officers overseeing compliance with SPS is one major limitation in this and other regions. Private inspectors and certifiers have been long recognized as a viable option to complement the field efforts of government officers and are now recognized by the FMA. However, the USAID/USDA PAPA for SPS failed to train private sector personnel in inspection and certification procedures. The participation of the private sector was limited to general subject matter workshops and seminars.*

**Comment:**

Segura report: Private sector participation was minimal. USAID comment: Project records show that the private sector attendees at training sessions represented 40 percent, which cannot be considered minimal.

**Response:**

*The great majority of private sector stakeholders interviewed, both individuals and organizations, expressed an absence of knowledge regarding the project and mentioned their lack of participation in training and other project activities, except when private sector infrastructure such as production sites and/or processing plants were used as training venues. The few who participated, expressed that they only attended general subject matter workshops and seminars where a mix of public and private sectors attendees were present.*

**Comment:**

Segura report: Many serious areas of concern were not addressed... and give the example of the ciguatera problem in fish in the DR. USAID comment: Did the DR ever formally report to the Coordinator and/or USAID the ciguatera problem as a serious concern that had to be prioritized?. I don't recall that this problem was ever mentioned by USAID/DR, or can the evaluators reinforce this point with other examples?

**Response:**

*Concern with ciguatera is seasonal since it increases during the peak tourist season in the DR and also during Holy Week in the region. However, the problem is widespread in tropical and semitropical countries that export fish to the United States. The seasonal nature of the concern could have been the reason for the project's lack of awareness about this hazard. The evaluation team was made aware of it during interviews with Ministry of Health officers in the DR in May 2011.*

*One of the major concerns in the region is the contamination by biological agents of exported fresh produce, covering a large variety of products. In this area, the project concentrated on laboratory diagnostic procedures rather than on effective preventive field measures, except in Honduras after the occurrence of the contaminated melon problem. The Sigatoka problem of bananas is a menace for the whole region, which is heavily dependent on banana exports to generate foreign exchange. This problem is not only associated with loss of production and quality, but is also related to the presence of pesticide residues in the fruit. The project did not even touch on this serious concern.*

**Comment:**

Segura report: USAID did not allow the project to work on inter-regional commerce. USAID comment: The project was not designed for this purpose. It was designed to increase the exports of CAFTA-DR countries to the United States to take advantage of the agreement.

**Response:**

*The evaluation team was tasked with identifying shortfalls for the different projects evaluated. The team clearly showed that the multilateral nature of CAFTA-DR and its provisions for the accumulation of quotas promote inter-regional trade and provide great potential to increase exports to the United States from CAFTA-DR countries. From this perspective, the exclusion of activities to enhance inter-regional trade was a project shortfall.*

**Comment:**

Segura report: No work was allowed within Costa Rica. USAID comment: Some activities, such as regional training for laboratories, were conducted in Costa Rica. It is true that the number of activities that physically took place in Costa Rica were less than in other countries. However, Costa Ricans participated in several training events (291 participants in total).

**Response:**

*The evaluation team considers Costa Rica as the most advanced country in the region in trade-related and other matters. This has been achieved mostly with improved government institutions and a more educated and aggressive private sector. As such, Costa Rica is a good example of a “low-hanging fruit,” with good potential to achieve rapid impact as a result of development interventions through regional and bilateral projects. The limited scope of activities by the project is thus considered by the evaluation team as a shortfall. A total of 291 participants from Costa Rica in training activities constitute only six to seven percent of all participants, an index that reflects the absence of project priority in this country.*

**Comment:**

Segura report: Page 36: One of the great weaknesses is that it was not in agreement with the mission priorities. USAID comment: Initiatives such as the Feed the Future and Partnerships for Progress (or Growth?) are very recent; some countries have not even completed the full process to implement bilateral activities. The same applies for the Food Safety Modernization Act, which is mentioned on page 37; therefore, it is not accurate to say that a project that started in 2004 and was to end in September of 2010 (extended two times after September 2010 to implement very specific activities) did not support initiatives that did not even exist during project implementation. In addition, the bilateral areas of interest listed on page 36 in fact correspond to activities that are more suited to be supported by bilateral projects and not by a regional project.

**Response:**

*For a long time now, USAID projects in the region have been designed and implemented to benefit the rural poor, a sector made up primarily of small growers. This is indeed the main priority of the bilateral projects that are now under design or implementation and deal with agriculture in the region. The purposes, objectives, and activities of the USAID/USDA PAPA for SPS Project did not take this fact into account. The evaluation team feels this fact made the SPS Project suffer from lack of support from the different Missions at the national level. The Missions did not take ownership of the project in order to give it a high priority for support.*

**Comment:**

On page 36, the report mentions that a Trade Capacity Committee would approve the trainings. Such committee did not exist. The procedure used was this: USDA prepared the work-plans and USAID approved them.

**Response:**

*The Project Coordinator mentioned that the TBC Committee finally approved all training activities carried out by the Project. (Personal communication with Mr. Daniel Orellana, Project Coordinator, USAID/USDA PAPA for SPS.)*

**Comment:**

We are concerned that the evaluators did not fully appreciate the objectives of the USAID/USDA SPS PAPA, specifically the targeted intent to increase Central American exports to the United States and to facilitate two-way trade between Central America and the United States in support of the CAFTA-DR Agreement. Many of the identified weaknesses are true for a project aimed at food security and/or agricultural development. However, that was not the purpose of this targeted work.

**Response:**

*Point well taken; however, as mentioned before, the evaluation team was instructed to identify shortfalls and lessons learned for the different projects evaluated. It is standard operating procedure on SPS work to instruct and educate the actors before demanding compliance from them for norms and standards through inspection and certification. For example, the project provided wonderful assistance in state-of-the-art laboratory procedures to diagnose the presence of Salmonella in foods; however, farmers were not educated on how Salmonella contamination may occur, what it does to consumers if ingested, and*

*what practices to implement to prevent Salmonella contamination, among other subjects of interest in this particular biological contaminant.*

**Comment:**

The project was limited by a prioritized scope of work set within the context of a regional playing field and defined by TCB committee members as well as conversations with individual country representatives. Thus the work did not address every area of concern within each country but more on SPS barriers to trade for “low-hanging fruit”. Specifically, USAID provided significant guidance on activity planning and requested that USDA focus on activities that strengthen country-specific regulatory agencies to improve market access and meeting U.S. import regulations.

**Response:**

*In a sense, regulatory agencies are blind to the identity of trade actors. They demand compliance regardless of identities. The “trade makers” are the private sectors. They are the ones that actually make increases in trade happen. With knowledge and support, they take advantage of market access and enforce U.S. import regulations. The evaluation team feels that the limited participation of the private sector as beneficiaries of the project was a shortfall.*

**Comment:**

Furthermore, we feel that the assessment misrepresented the scope of USDA’s activities and used measures that did not exist during the planning or implementation of the PAPA. For example: The assessment claimed that USDA did not work with Costa Rica. USDA carried out many activities in Costa Rica. Costa Ricans have participated in all regional activities. However, both USAID and USTR limited Costa Rica’s participation on more bilateral activities.

**Response:**

*This comment was addressed above. However, it is worth mentioning that lessons learned from Costa Rica on trade promotion and the sanitary and phytosanitary regulatory environment could be useful for other countries in the region.*

**Comment:**

USDA only worked in the livestock sector. Over 60 percent of all trainings were food safety-related. It is true that animal products were a major focus but that is not the livestock sector. In actuality, animal health or the livestock sector received little attention.

**Response:**

*The evaluation team recognized the efforts of the project in areas such as pesticides and tomatoes and peppers under plastic. However, the information collected by the team indicates that most of the project’s efforts were focused on the three meats (beef, pork and chicken) because the United States asked CAFTA-DR countries for equivalence on SPS to facilitate U.S. exports of meat into the region. Meats are the main products of the livestock sector.*

**Comment:**

The assessment claimed that the agenda did not vary from country to country. This is true to some degree, but only because many countries were at the same stage of development with similar regulatory hurdles. Much of the work was in fact targeted for each country. For example, equivalence work was for beef in Guatemala, pork in El Salvador, and poultry in Honduras.

**Response:**

*Information gathered by the evaluation team indicated that the same workshops and seminars were given in the different CAFTA-DR countries. In addition, legislation and protocols to support meat equivalence, together with specific trainings for HACCP and other certifications, were the same in all countries. The evaluation team feels that this is the result of the project not taking the trade priorities of the individual countries into consideration, i.e., Nicaragua and Costa Rica are by far the largest exporters to the United*

*States of beef and dairy products in the region. However, the rest of the countries having limited capacity to export to the United States received the same treatment under the project.*

**Comment:**

Create a better domestic supply. Improving the food safety system to meet U.S. regulations did in fact enhance the national food safety system. Quality and food safety were improved to achieve market access. Although many procedures are not finished and countries still cannot access the U.S. market, the products are now much safer for local consumers.

**Response:**

*The final report mentions the fact that there has been a trickle-down effect benefitting domestic food safety. This effect, however, has been achieved only on the portion of exports that remain in each country because they do not meet quality standards for the U.S. market. Consumers in CAFTA-DR countries are enjoying better melons, tomatoes, peppers, etc. but these products are only a small part of the domestic food basket. The food safety risk of lettuce, cabbage, and other leafy products consumed locally remains high because of weaknesses in the national food safety systems.*

**Comment:**

We are also concerned that the evaluators did not have an appropriate sense of timing on some events, e.g., Feed the Future priorities began to come into play in late 2010 and did/do not propose to achieve the same of objectives as defined under this PAPA. The evaluators are correct to say that “little emphasis or training was provided on the new U.S. Food Safety Act.” This law was not passed in the United States until early 2011 when the PAPA was closing down.

**Response:**

*The evaluation team has addressed the context and timing issues by answering other questions by USAID above.*

**Comment:**

We recommend addressing the food security problem from a regional perspective. Factors discussed by the consultant in this part (pages 48–49) are valid and accurate from a local/national perspective. As a regional mission, we cannot address issues related to infrastructure, interest rates, or productivity level assistance. This is an area for a local/national project.

The paragraph that addresses Economic Access to Food is repeated on page 49 and on page 48 under Infrastructure Limitation.

We would expect a more in-depth discussion on regional issues that affect food security in this part of the document.

**Response:**

*The scope of work for the evaluation mentions food security very lightly compared to other subject matter areas related to the different CAFTA-DR projects evaluated. Food security, within this context, was sort of an added bonus to be derived from the visits by the evaluation team to the different countries and not as a large targeted area of concern by USAID for this particular evaluation. Because of this, the team concentrated on practical regional issues affecting the three components of food security, physical and economic access to food and food safety and nutrition. Blockages to the flow of food due to poor infrastructure are, in the team’s view, a major concern affecting physical and economic access to food regionally, together with the amount of time taken by the different land customs teams to allow for the passage of foodstuffs from country to country, especially between Costa Rica and Nicaragua. Low yields and high interest rates in every country make food more expensive regionally and reflect deficient government infrastructures that provide limited services to the food supply chain in the region. There are no guarantees for the food safety of the population at large because of weak and inefficient national food safety systems in place.*

*The evaluation team identified weaknesses in other critical elements of the food supply chain that are not included specifically in the report:*

- *The capacity of the small farmer population in the region to produce food is low from the point of view of a lack of effective and efficient farmer organizations; the low technology levels applied in production; the scarce application of other knowledge such as post-harvest technology and SPS; and a general and acute lack of business savvy and experience.*
- *The suitability of the agricultural lands is very limited in the majority of the countries (topography, water, climate and soils).*
- *Research and extension services are weak and deficient.*
- *The soft and hard infrastructure supporting the food supply chain is inadequate*
  - a. *Access to inputs such as seeds, fertilizers and pesticides, machinery and equipment is also limited and expensive.*
  - b. *Logistics and transportation services are expensive and provide restricted backing.*
  - c. *Value addition (packaging and processing) is low.*
  - d. *Cold storage infrastructure is lacking.*
  - e. *Milling and storage capacity is partial.*
  - f. *Access to information is scarce (market news, pricing, weather, and other relevant information).*
  - g. *Presence and suitability of hard infrastructure is limited (ports, airports, irrigation, roads, etc.).*
  - h. *The business climate is deficient (government agricultural policies and incentives are lacking and political and economic stability in the rural areas is limited).*

## **ANNEX VI: Scope of Work**

### **SECTION C. DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK**

#### **C.1. INTRODUCTION**

As signatories to the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR), participating countries are required to improve and effectively enforce their existing trade laws, policies, and regulations, including sanitary and phytosanitary measures and food safety. To benefit fully from CAFTA-DR, participating countries need to address basic requirements outlined in Chapters 4, 5, and 6 of CAFTA-DR, including portions of Chapter 3 that relate to textile rules of origin.

The United States Agency for International Development's Regional Program for Central America and Mexico (USAID/E-CAM) will award a 12-week Task Order for the assessment of the programs described herein with recommendations for future programming areas that will directly affect trade facilitation and have a substantial impact on food security and nutrition.

#### **C.2. PURPOSE**

The purpose of this evaluation is to learn to what extent USAID-managed trade facilitation cooperation programs have helped countries to comply with Chapters 3, 4, 5, and 6 provisions of CAFTA-DR, and more importantly, how USAID assistance has improved trade across borders interregionally and with the United States and other countries.

Specifically, the contractor shall a) evaluate the effectiveness of the implementing instruments in achieving their targets and goals (Indicators, Performance Indicators, etc.); b) identify and prepare materials on success stories; c) identify any best practices and lessons learned in all areas covered by the CAFTA-DR program; d) provide key recommendations for future interventions to overcome regional trade barriers that could result in improved trade flows and increased incomes; and e) provide specific recommendations on what past and present interventions could have a direct or secondary impact on reducing poverty and specifically improving food security and nutrition.

#### **C.3. SUMMARY OF USAID CAFTA-DR BILATERAL AND REGIONAL TRADE-RELATED COOPERATION PROGRAMS**

##### **C.3.1. CAFTA-DR Regional Trade Program Overview**

###### ***1. Rules of Origin and Customs Modernization***

###### **Project: USAID Regional Trade Program for CAFTA-DR (Chemonics)**

This is a key catalyst for Central American countries and the Dominican Republic in removing hurdles to trade and investment. CAFTA provides clear incentives for member states to accelerate the pace of reform, harmonize laws across the region, and implement new regulations.

The overarching goal of promoting trade and investment activities is to assist the signatory countries in meeting their obligations under Chapters 4 and 5.

These chapters relate specifically to rules of origin and customs modernization.

Activities focus on providing the technical assistance and training necessary for countries in the region to meet obligations contained in CAFTA-DR Chapter 4 –Rules of Origin and Origin Procedures” and

Chapter 5 —Customs Administration and Trade Facilitation”. The challenge of implementing the obligations of CAFTA-DR and other agreements falls primarily on the national governments of each country. However, many of the tasks benefit from common approaches across the region and thus USAID is working with regional organizations such as SIECA to promote harmonized rules and regulations among all signatories.

This program will improve and modernize customs functions, thus reducing the time to trade. Assistance also promotes the streamlining of processes for exports and imports, including reduction of documents, signatures, clearance time, and costs. USAID is also working to improve the capacity of customs in specialized functions, including commodity valuation, risk management, and post-entry audit.

On September 18, 2006, USAID signed a US\$7.2 million contract with Chemonics International to implement a regional program to help CAFTA-DR signatory countries (El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica, and Dominican Republic) comply with requirements of Chapters 4 and 5, related to rules of origin, customs administration, and trade facilitation, respectively; and also to help them understand and better comply with rules of origin in Chapter 3 related to the textile sector. This program ended on September 30, 2010.

The main achievements are: (a) training the relevant authorities of the CAFTA-DR countries to be able to implement and adequately manage the rules of origin process in an efficient manner, and (b) for the private sector to understand, use, and receive the benefits of the treaty through the correct use of the rules of origin and origin procedures. The program ended on September 30, 2010.

**Project: USAID-SIECA Cooperative Agreement for the Compliance with Rules of Origin and Customs Procedures (SIECA)**

In addition, on July 27, 2006, USAID signed a US\$3.3 million cooperative agreement with the Secretariat of Economic Integration of Central America (Spanish acronym SIECA). The program was focused on harmonizing laws, policies, regulations, and administrative customs and treaty administration processes as provided by CAFTA-DR Chapters 4 and 5 and the textile sector rules of origin. This program will ended on December 31, 2010.

The main achievements to date of the program are in:

- (a) the review, validation and implementation of the Sistema Generador de Documentos Electrónicos (GEDOEL); and
- (b) The review, approval, and implementation of the format for the electronic certificate of origin.

**Project: USDA-PAPA Sanitary and Phytosanitary Standards (SPS)**

In 2004 USAID signed a US\$6.4 million interagency agreement with the United States Department of Agriculture (USDA) to implement technical capacity building (TCB) programs in support of CAFTA-DR. The program has focused on strengthening sanitary and phytosanitary (SPS) measures, including food safety, and capacity building to enhance agricultural trade with the United States, and with other foreign markets. Key commodity sectors targeted for meeting U.S. importing requirements have included fresh fruits and vegetables, meat and poultry products, and dairy products. Training and technical assistance programs have mainly been delivered to government technical and regulatory officials, including national laboratories’ personnel, but have also included private sector management and staff, as appropriate. In delivering the technical assistance and training programs, USDA has primarily utilized experts within USDA, from other U.S. government agencies (e.g., the Environmental Protection Agency, the Food and Drug Administration), and from U.S. land grant universities.

The overall goal of the program has been to support CAFTA-DR countries in the understanding, harmonization, and compliance of U.S. and international trade regulations to take advantage of the free trade agreement opportunities. This includes building effective regulatory systems, defining export opportunities, and complying with the U.S. rules and regulations on agricultural products.

As of March 31, 2010, over 4,100 individuals have received training on different topics related to SPS; 24 policy reforms have been analyzed with USAID/USDA assistance, from which 21 were presented for legislation; and 94 organizations throughout CA-DR have been assisted and strengthened in their technical capacities. The value of selected exports attributed to the program's support during FY09 totaled US\$38 million. The program was scheduled to end in March 2011.

### **C.3.2. CAFTA-DR Bilateral Trade Program Overview**

#### **Project: Customs and Business Environment that Promote Trade and Investment (BAH)**

USAID assisted the Government of El Salvador (GOES) and the private sector to better understand the problems, concerns, and negative impacts resulting from barriers that still remain in the trade and investment environment, and help them develop adequate legislative, administrative, and commercial capacity to reduce such barriers and promote broad-based economic growth in El Salvador. To do this, USAID signed a contract with Booz Allen Hamilton–BAH (AFP-I-03-04-00005-00) on July 11, 2006 to implement the bilateral activity —“Customs and Business Environment to Promote Trade and Investment Project,” which ended on July 30, 2010.

During project implementation, BAH focused on three areas of assistance: 1) trade facilitation through customs reform and modernization; 2) barriers to trade and investment; and 3) improving the way of doing business. For the purpose of this evaluation, the contractor will only concentrate on the first area, which covered about 70 percent of the Task Order in which the Ministry of Finance's General Customs Directorate (Spanish acronym DGA) was assisted. Under this contract, the first area mentioned above provided assistance in four major customs-related areas: (1) general legal reforms of the customs legal/regulatory regime in accordance with CAFTA requirements; (2) rules of origin; (3) risk management; and (4) clearance and release of goods. Technical assistance in this area was aimed at facilitating the growth of El Salvador's export and import trade by helping DGA understand and implement customs-related international standards and best practices, including CAFTA-DR requirements, legal reform and enhancement relating to the administration and operations of the DGA for the operational efficiency and effectiveness of customs services. According to USAID, the contractor's assistance to the DGA in meeting the performance objectives significantly reduced the direct and indirect costs of moving goods across El Salvador's borders and facilitated El Salvador's integration into rapidly expanding global and regional markets.

Under this contract, the General Customs Directorate was assisted in the following specific areas:

#### **1. General Legal Reforms**

New legislative authorities and revisions of current national laws were conducted to fully implement many of the reforms to be supported under this activity in order to comply with CAFTA-DR as well as to implement international customs administration best practices. The GOES implemented draft legislation intended for substantial customs reforms, including requirements for CAFTA implementation, to include chapters on rules of origin (Chapters 3 and 4) and customs and trade facilitation (Chapter 5). In some cases, effective implementation of these legal reforms required fundamental changes in El Salvador's current, overall legal and regulatory approach to customs-related issues. Substantial education and outreach efforts throughout the GOES as well as the private sector were also required.

Assistance envisioned under this Task Order supported the DGA/ROO Unit to make it fully capable of administering CAFTA-compliant rules of origin in accordance with international best practices; supported the development of the internal procedural manual with operational guidelines for DGA and ROO Unit headquarters and field staff for determination of origin of goods in compliance with CAFTA Chapters 3 and 4; and the use of electronic certifications of origin.

## **2. Rules of Origin**

The GOES consolidated institutional capacity for ROO management in the DGA's Rules of-Origin Unit. The ROO Unit staff had little experience in implementing the full range of ROO functions, and so required extensive education and training on international best practices for the implementation of CAFTA Chapter 4 rules of origin and origin procedures for member countries and Chapter 3 of the CAFTA which establishes ROO for textiles/apparel.

## **3. Risk Management (RM)**

Under CAFTA Article 5.11, El Salvador had two years from the Agreement's entry into force within which to implement the requirements of CAFTA Article 5.4. The GOES prepared to comply with its responsibilities with regard to the determination of risk with its commercial trading partners so as to guarantee that imports of goods are introduced into the country in accordance with its relevant customs legislation, and to employ an expeditious, efficient process so that those goods that do not meet customs requirements are identified and dealt with as provided by law.

The assistance supported the DGA/RM Unit's headquarters; border posts operate with a modern, efficient risk analysis/management system reflecting basic risk management analytical and enforcement procedures in accordance with CAFTA requirements and basic international best practices.

## **4. Clearance/Release of Goods**

Article 5.2 of the CAFTA Agreement stipulates that "Each Party shall adopt or maintain simplified customs procedures for the efficient release of goods in order to facilitate trade between the Parties." El Salvador was committed to implementing Article 5.2 of the treaty within one year of its entry into force. These revisions were new to El Salvador and were, to a certain extent, at odds with procedures that prevailed within much of the DGA, the Ministry of Finance, and other agencies of the GOES. Key decisionmakers were concerned about potential risks associated with the implementation of these procedures and provisions, and had little understanding of the benefits for trade facilitation and its positive impacts on economic growth and development. Successful compliance with this provision of the CAFTA required aggressive and carefully calibrated outreach and education efforts.

Assistance under this task was provided to help DGA adopt or maintain simplified customs procedures for the efficient release of goods in order to facilitate trade. It ensured that its customs authority or other competent authority adopted or maintained procedures that: (a) provide for the release of goods within a period no greater than that required to ensure compliance with its customs laws and, to the extent possible, within 48 hours of arrival; b) allow goods to be released at the point of arrival, without temporary transfer to warehouses or other facilities; (c) allow importers to withdraw goods from customs before and without prejudice to the final determination by its customs authority of the applicable customs duties, taxes, and fees. The contractor assisted the Customs Directorate's Risk Management Unit in continuing to adding importers to the PACE program. The contractor also conducted training as necessary to introduce the program to the new customs authorities and continue building awareness in the private sector. The Customs Program for Company Compliance (*Programa Aduanero de Cumplimiento Empresarial*, PACE) is a new risk methodology for customs, which transfers risk analysis from transaction based (i.e., per declaration or container) to company based. The program has been successful, reducing clearance times to less than 4 hours for its current 11 company members.

Assistance also helped the Customs Directorate to address delays in certain key processes, including clearance of courier shipments and airport cargo. Various processes affecting shipment clearance and release were improved during the first phase of the project. With the introduction of the Procedural Manual for Customs and the Regulation on Advanced Rulings, the project helped to eliminate uncertainty and contradictory interpretation by frontline customs officers, thereby reducing clearance times.

Assistance was provided to continue improving the business enabling environment and trading across borders. The eSalPort initiative was developed. Under this initiative, a database and website ([www.esalport.gob.sv](http://www.esalport.gob.sv)) were developed; these allowed an interface between Customs and port operator (*Comisión Ejecutiva Portuaria Autónoma*, CEPA) databases. With this interface, cargo manifests are now delivered to Customs and CEPA simultaneously and clients can more effectively track their sea, courier, and land shipments. The initiative was expanded to include an interface to track air cargo as well.

### **C.3.3. DEVELOPMENT HYPOTHESIS OF BILATERAL AND REGIONAL TRADE PROGRAMS**

Underlying these four projects implemented by Chemonics, SIECA, USDA, and Booz Allen Hamilton (BAH) is a general development hypothesis which is that targeting USAID-funded assistance in the above described areas would be catalytic in helping the CAFTA-DR signatory countries (El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, and Costa Rica; hereinafter the CAFTA-DR countries) to build a more solid foundation and greater capacity for sustainable economic growth and poverty reduction.

Underlying this general development hypothesis, each project area has its own development hypothesis, as follows:

- USAID Regional Trade Program for CAFTA-DR. Building the trade capacity of CAFTA-DR signatory countries to comply with treaty provisions and requirements (defined “rules of trade”) will improve the region’s enabling environment for expanded trade and investment, thereby providing greater incentive for the private sector to take risks, invest, and expand production and sales in the export and domestic markets.
- USAID-SIECA Cooperative Agreement for Compliance with Rules of Origin and Customs Procedures (SIECA). Helping CAFTA-DR signatory countries comply in a harmonized manner (to be seen as a trading block) will enhance businesses and trade and thereby provide greater incentive for the private sector to take risks, invest, and expand production and sales in the export and domestic markets. To work toward the Customs Union (*Unión Aduanera*) as a final goal under the integration process designed to facilitate commerce in the region, reduce costs, and promote broadened economic opportunities in the region.
- USDA PAPA. Taking advantage of the Free Trade Agreement, the risk to agricultural producers (and other enterprises along the value chain between producers and consumers) can be reduced by helping governments and the private sector (farmers and firms) understand and meet international standards (particularly U.S. requirements) for exported agricultural products. Improved trade can serve as an engine of rural economic growth with a positive impact on job creation, income generation, poverty reduction, and improved economic opportunities.
- Customs and Business Environment that Promote Trade and Investment. Designing and targeting interventions in El Salvador can build the sustainable capacity of the country through adequate and effective customs procedures and legislative trade regulations. Improvement in the trade and investment-enabling environment will enhance Salvadoran exports within the region and beyond and promote broad-based economic growth in El Salvador.

### **C.3.4. USES OF THE EVALUATION**

The evaluation will be used by the USAID/El Salvador Economic Growth (EG) Office and Mission Management to provide a retrospective analysis of program impact as well as to inform future programming priorities in trade and food security. In addition, the evaluation will serve to:

- Inform about future programming priorities with recommendations on how to address ongoing obstacles and challenges to improve trade and reduce trade barriers in the region directly or indirectly impact food security and poverty reduction.
- Identify if there are/were implementation problems, unmet needs, or unintended consequences or impacts, especially taking into account any unanticipated changes in the host country environment.
- Provide a better understanding of progress made by each project on such issues as relevance, impact, sustainability, and cost-effectiveness.
- Confirm the validity of the overall—and project-specific—development hypotheses or critical assumptions underlying the Mission’s economic growth strategy and the projects that were designed, funded, and implemented to make the strategy operational.

### **C.3.5. KEY QUESTIONS FOR THE EVALUATOR**

#### **General Evaluation Questions**

This evaluation will assist the Mission by providing information, from the viewpoints of food security and trade, to respond to the following practical questions:

- Should the USG increase, reduce, or otherwise focus its assistance to the region with respect to building capacity to implement the various chapters of CAFTA-DR? If continued implementation-related assistance is required, in which areas is the assistance most needed?
- Should the USG increase, reduce, or otherwise focus its assistance to the region in the area of building greater capacity for trade facilitation? If continued assistance is required in this area, in which category or subject matter, and in which countries and through what approaches or implementing mechanisms, would such assistance have the greatest impact?
- Is there a gender approach that should have been applied to ensure better gender equity results? What was missing in each project’s approach? If so, please describe.
- What trade barrier reductions would have the largest direct impact on food security in the region? (For example, price information, sanitary and phytosanitary standards (SPS), transportation, customs, etc.).

#### **Specific Evaluation Questions**

To provide a basis for the evaluation to generate relevant findings, conclusions, and recommendations based on the previous questions, a number of more specific evaluation questions for each of the four projects will be addressed, as follows:

1. What did each project achieve (i.e., what were the actual results) relative to the expected results? Within the limits of available information (or what can be compiled during field work supporting the evaluation), the Evaluation Team will compile the relevant data into a series of tables that summarize

results to date against expected/targeted results for each of the four projects (see more project specific questions below).

2. Within each project, where did implementation fall short of achieving expected (or desired) results and what factors constrained implementation from achieving greater progress toward targeted results?
3. What are the respective views of USAID, implementers, and beneficiaries with respect to weaknesses and strengths in the design, implementation, and management of each of the four projects?
4. Over the course of implementing each project, what significant corrections were made in the project's technical and/or management approach; and which corrections were effective or not?
5. Over the course of implementing each project, what new best practices were identified or revalidated (if already known)?
6. Over the course of implementing each project, what major "lessons learned" emerged?
7. Overall, what have been the strengths and weaknesses of the program comprising the four projects mentioned in the scope?
8. Based on the experience of those regional and bilateral projects evaluated, in which areas is USAID assistance most urgently needed?
9. What are the most effective ways to ensure effectiveness and future intervention in light of the best practices and lessons learned?
10. To what extent is U.S. government assistance sustainable? Why? What recommendations can be implemented for future U.S. government assistance?
11. Were there negative or positive impacts on gender equality? If so, what should the U.S. government do to enhance positive ones and avoid negative ones?
12. How effective are the interventions of regional organizations such as SIECA and COMIECO in the execution of intended results and impacts and in program implementation? How effective are contractors in undertaking these interventions versus regional organizations such as SIECA?

### **Specific Questions per Project**

USAID would like to have answers for key questions per program/implementing mechanism.

#### *1. USAID Regional Trade Program for CAFTA-DR and Compliance with Rules of Origin and Customs Procedures (Chemonics and SIECA)*

• To what extent is the GOES complying with CAFTA-DR Chapter 3, 4, and 5, including development of legal and regulatory reforms/requirements, manuals, guidebooks and publication of these products?

#### **a. Rules of Origin and Customs Modernization**

- Are the rules of origin and risk management units operational and do they have the recommended tools to perform efficiently and effectively?
- To what extent have CAFTA-DR countries improved their clearance time through risk management and automation of the selectivity criteria based on risk profiles.
- What are the program's technical recommendations implemented by signatory countries?
- What are the underlying factors explaining lack of implementation of technical recommendations, if applicable?
- How are CAFTA-DR signatory countries aware of the requirements and ways to fulfill the treaty provisions?
- What technical assistance and training are needed to continue improving CAFTA-DR implementation?
- Has USAID assistance indirectly helped to ease the flow of the basic food basket within and outside the region?
- Are the CAFTA-DR countries implementing the customs procedures approved through SIECA's assistance?

- What are the major obstacles to trade facilitation that still persist, including those that keep third-party observers from perceiving the region as a trading block?

#### **b. Sanitary and Phytosanitary Standards (SPS)**

- How effective has USAID/USDA assistance been to build SPS capacity in the government and private sectors of CAFTA-DR countries?
- In what ways did CAFTA-DR governments/Ministries of Agriculture/Animal and Plant Health Divisions feel that the program met their expectations?
- What are the private sector's opinions with respect to the program?
- How did the changes in Administrations (changes of governments with consequent staff turnover, etc.) during the life of the project in Central America and the Dominican Republic affect the program? What are the lessons learned in this respect?
- What are specific recommendations with respect to SPS as it relates to food security for future activities?
- Where is the region in terms of harmonization of standards and quality as compared to other regions?
- How has SPS helped to reduce poverty? Can this be directly correlated to food security objectives?
- What size firms and level of population received assistance under the USDA program (e.g., small, micro-enterprise, large, etc.)?

#### *2. CAFTA-DR Bilateral Trade Program*

- To what extent is the GOES complying with CAFTA-DR Chapters 3, 4, and 5, including development of legal and regulatory reforms/requirements, manuals, guidebooks and publication of these products ?
- As a result of implementing an effective risk management system at the DGA, this unit has been able to reduce the rates of physical inspection at El Salvador's main ports from an initial 28 percent to an average 7.1 percent of total shipments, while increasing by 50 percent the level of collections due to infractions detected in the physical inspections. How well structured is the DGA Risk Management Unit to sustain or improve that level of performance over time?
- During project implementation, the PACE program was developed and implemented. Before the project ended, 40 companies became members of PACE. How effectively is PACE attracting more companies to become active participants? Is the DGA ready to move to a higher level of company commitment of customs requirements through the implementation of an international customs compliance certification?
- Is El Salvador experiencing an effective streamlined process for exports and imports? How much has the number of procedures, documents, signatures, transit time, and overall costs been reduced? Is El Salvador meeting or exceeding Organization for Economic Cooperation and Development (OECD) averages (as contained in the World Bank —Doing Business" Report)?

#### **C.4. BACKGROUND DOCUMENTS FOR THE EVALUATION**

To prepare a technical proposal, the Contractor is expected to review all relevant program-related documents including but not limited to:

- CAFTA-DR Chapters 3, 4, 5, and 6
  - Copies of IDB, World Bank, and other reports related to the program's trade facilitation activities.
- On request, USAID may provide relevant documentation on the four projects mentioned in this SOW.

#### **C. 5. EVALUATION METHODOLOGY**

Based on the information provided within this Statement of Work, a firm bidding on the evaluation may wish to propose an alternate approach, factoring in the information that will be available to the Evaluation Team (see first bullet below). In any case, firms bidding on this evaluation will submit a written

description of (or approach for developing) the proposed methodology that the bidder would apply to carry out the evaluation. Further, after the award, the firm contracted to carry out the evaluation will be required to submit to USAID a detailed design and evaluation plan as a first deliverable.

The Evaluation Team should consider a range of possible methods and approaches for collecting and analyzing the information, which are required to carry out the evaluation. Data collection methodologies will be discussed with and concurred by USAID/E-CAM at the beginning of the evaluation work; this shall include the proposed relevant summary tables, graphs, and annexes.

The team will use participatory methods and activities that will enhance collaboration and dialogue among counterparts, particularly partners. For instance, the Evaluation Team should consider meeting and getting feedback from counterparts, beneficiaries, implementing entities, and stakeholders (regional and bilateral), such as CHEMONICS, USDA, APHIS, OIRSA, SICA, SIECA, CCAD, Ministries of Agriculture, Economy, and Commerce, Chambers of Commerce and Exports, and USAID bilateral missions.

To carry out the evaluation it is anticipated that the Evaluation Team will need to carry out the following tasks:

#### **C.5.1. Document Review**

- USAID/E-CAM will provide the Evaluation Team with key reporting documents stating the results achieved to assess the extent of the results reported.
- All team members will review and use these documents in preparation for the initial team planning meetings.
- Prior to conducting field work, the Evaluation Team will review existing literature and data, including the documents provided by USAID such as reports, studies, as well as pertinent documents related to the CAFTA–DR programs/projects.
- As a result of the document review, the contractor should prepare and provide to USAID a matrix of results reported by implementers of the programs and the methodology envisioned to conduct the evaluation.
- The contractor will also propose an outline of the final report for discussion at the Team Planning Meeting to be held in San Salvador, El Salvador.
- The contractor will prepare a proposal for communication and outreach material on the impact of the trade facilitation programs for discussion at the Team Planning Meeting to be held in San Salvador, El Salvador.

#### **C.5.2. Initial Orientation and Team Planning and Debriefing Meetings**

A one-day orientation and team-planning meeting will be held in El Salvador before the evaluation takes place. This meeting will allow the team to clarify the purpose, expectations, and agenda of the assignment. In addition, the team will:

- Participate in an initial orientation meeting with USAID/E-CAM in San Salvador, El Salvador.
- Present an outline and explanation of the proposed evaluation, discussing the methodology and work plan to carry out this evaluation.
- Clarify team members' roles and responsibilities.
- Review and finalize the evaluation timeline.
- Develop and or discuss data collection methods, instruments, tools and guidelines.
- Review and clarify any logistical and administrative procedures for the assignment.

- Develop a preliminary draft outline of the team’s work plan; final report; relevant summary tables, graphs, and annexes; and communication and outreach material.
- Assign drafting responsibilities for the final report.

Final one-day evaluation debriefs. The team will debrief USAID prior to submission of the draft report and the team’s departure from the country. During the last week of the assignment, the contractor will provide an exit conference to include a summary of findings, conclusions, and recommendations for future interventions in a PowerPoint presentation to Mission Management. Comments generated during this presentation will also be incorporated in the final report.

### **C.5.3. Field Visits/Key Informant Interviews**

The team will arrange to visit CAFTA-DR countries and in-country sites in consultation with the EG staff, as appropriate. The Evaluation Team should plan to meet with USAID Bilateral Missions to obtain feedback in the field since these missions are most knowledgeable of key players, stakeholders, and potential partners. USAID/E-CAM will consult with CAFTA-DR missions if they would like to meet the Evaluation Team.

When meeting key in-country representatives, the Evaluation Team may be accompanied by a member of USAID Bilateral Missions if the missions consider it appropriate. The site visits will involve interviews with government officials, other donors, various implementing partners, civil society, etc. Meetings with government officials and regional institutions are essential and will be scheduled as needed.

The Evaluation Team will conduct interviews with donor organizations, selected NGOs, and other key respondents identified during the planning meeting.

The Evaluation Team may be required to debrief USAID Bilateral Missions on field meetings or visits, if deemed appropriate. The purpose of the debriefing will be to share findings and receive comments or feedback prior to the preparation of the draft evaluation report.

### **C.6. TASKS TO BE PERFORMED**

The Evaluation Team will develop a full cadre of information and outreach products in a multimedia format designed to visually capture successes and impacts in an innovative format and for a variety of audiences to include public, government partners, and technical audiences.

The Evaluation Team will carry out the following tasks over a timeframe of up to twelve weeks:

1. Finalize a detailed work plan, evaluation methodology, and schedule for carrying out this scope of work, which will include visits to CAFTA-DR beneficiary countries: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.
2. Review existing literature on the progress and impact of USAID-supported initiatives in trade facilitation programs. Select outstanding examples of success stories and impact that highlight a human-interest component or that can capture an easy-to-understand benefit that is long-lasting and deep-rooted for a person, company, community, government agency, or country-level impact (in English and Spanish).
3. Prepare a list of key contacts to be interviewed, including U.S. government officials, CAFTA-DR government counterparts, implementing partners, private sector, export associations, chambers of commerce, NGOs, and other stakeholders as required. Interview key U.S. government officials,

implementing partners, host country counterparts in each of the CAFTA-DR countries, including other donors and key stakeholders as needed, who are involved with the CAFTA-DR trade facilitation cooperation programs/projects, and other stakeholders who can provide an insight into USAID program impacts.

4. For the four projects to be evaluated, (Chemonics, SIECA, USDA, and Booz Allen Hamilton), prepare options for attractive presentations individually or a combination of multimedia communication and outreach materials and products that are visually appealing, in an easy-to-understand format, and that may include catchy titles, photos, graphics, clip art, etc.
5. Draft and finalize outreach materials and products for copyediting, designing, and printing.
6. Prepare and deliver ten copies in English and ten in Spanish of the final report that outlines the abovementioned questions and suggests recommendations for further work to be undertaken. The final product should include outreach materials (video, brochure, etc.) in hard copy and electronic copy (PDF format).

#### **C.7. IMPLEMENTATION AND MANAGEMENT PLAN**

The Contractor will provide the necessary contract management to fulfill all the requirements of this Task Order. This includes cost and quality control under this contract. The implementation and management plan will be required with the proposal.

#### **C.8. PERFORMANCE MONITORING PLAN**

The contractor's performance will be evaluated based on the completion of specific tasks as outlined in the Task Order and reports submitted to the Contracting Officer's Technical Representative (COTR) as well as the standards specified in Section E.2 Inspection and Acceptance.

**NOTE:** The final statement of work for the Task Order that will result from this RFTOP may incorporate specific relevant sections of the successful bidder's technical proposal.

## **ANNEX VII: CHEMONICS COMMENTS TO THE CAFTA-DR REGIONAL TRADE PROGRAM EVALUATION**

We want to thank USAID for the opportunity to provide comments on the evaluation of the CAFTA-DR Regional Trade (CRT) Program implemented by Chemonics from December 2006 through September of 2010. The CRT supported trade facilitation and customs improvement efforts across the region. The project worked with customs directorates and treaty administration units in all Central American countries and the Dominican Republic to implement key components of the CAFTA-DR treaty. CRT provided technical assistance and specialized training to strengthen the capacity of the region's public and private sectors to benefit fully from the many opportunities offered by the agreement, delivering results in four components:

- Support the implementation, use, and understanding of the rules of origin (ROO) and the origin procedures set out in Chapter 4 of the CAFTA-DR.
- Support the implementation of customs administration and trade facilitation requirements set out in Chapter 5 of the CAFTADR.
- Strengthen the countries' foreign trade capacity in the framework of national action plans for trade-related capacity building.
- Promote the adoption of international trade facilitation instruments.

### **A. General Comments**

As we described in our Final Report, the implementation of the CRT program was a challenging undertaking from the standpoint of management and technical implementation due to its regional character and complex organizational structure. Divided into mainly three technical areas, the program had a geographical coverage of six countries, twelve national counterparts, and one regional counterpart (SIECA), and operated with mostly part-time staff. This level of complexity inevitably produced a lot of managerial headaches in the initial stages of implementation. At the same time, however, it provided an opportunity to learn valuable lessons that ultimately contributed to its success. The CRT Program achieved important results and maximized impact through the delivery of

high-quality products, assistance, and training while seeking regional harmonization. In this brief section we highlight some of those results as we believe were not fully addressed in the evaluation document.

A distinctive element of the CRT's implementation strategy was to always ensure buy-in and maximize the impact of program activities by systematically identifying our counterparts' needs and priorities and by aligning them with program objectives and expected results. We achieved this by using a gap assessment methodology to identify potential areas for improvement (gaps) in the implementation of requirements set forth under Chapter 4 – Rules of Origin and Origin Procedures - and Chapter 5 – Customs Administration – of the CAFTA-DR. This methodology, jointly developed with USAID, enabled us to pinpoint and focus on specific areas where technical assistance and specialized training were needed to help CAFTA-DR countries achieve full compliance. Based on this gap assessment, the CRT developed specific work plans for each country together with our counterparts. These work plans proved critical to the implementation of the CRT program. Effective planning and coordination were crucial for timely and successful execution of work plan activities. As a result of this process, the CRT achieved significant results in all program components. For example, the CRT contributed to improve customs administrations across the region by:

- **Developing and implementing information technology systems for risk management that facilitate the selection of potentially high-risk shipments for physical inspection, while expediting the movement of goods for low-risk shipments, without physical inspection (these systems were implemented in El Salvador, Nicaragua, and Honduras);**
- **Strengthening risk management units through the establishment of new, revised, and streamlined organizational structures, developing procedures manuals, and improving capacity to apply risk analysis and management methods;**
- **Streamlining customs clearance procedures and developing customs manuals for the international trade community that provide complete information on the import and export of goods, including customs procedures, the legal and regulatory framework, and the application of free trade agreements (these guides were developed for Nicaragua, Honduras, Costa Rica, and Guatemala);**
- **Developing and implementing Virtual Single Window for Imports in El Salvador and Nicaragua;**

The CRT also helped build the capacity of public and private sectors, and fostered a better understanding and promoted the use of the rules of origin and origin procedures to enable the trade community to benefit from preferential tariffs offered by the treaty. Thousands of importers/exporters benefited from trainings, including the Virtual Training Course on Rules of Origin,

which promotes broader understanding of the issue through practical examples, graphics, videos, and other state-of-the-art multimedia tools. The CRT program also developed an innovative information technology tool to facilitate the understanding and use of ROO and the issuance of electronic certificates of origin. Furthermore, it strengthened the units responsible for origin in customs administration and foreign trade or treaty administration offices. CRT's efforts led to new, revised, and streamlined organizational structures; clearly defined staff requirements and the duties and responsibilities for each position; new procedures manuals; and improved capacity to perform origin verification procedures, post clearance audits and advance rulings (including establishing automated systems and procedures for issuing advance rulings.)

Finally, the CRT actively promoted trade capacity building and trade facilitation by, for example: 1) supporting the adoption of international trade facilitation instruments or domestic laws that serve the same purpose. Examples include the Dominican Republic's approval and adoption of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents and the drafting of the Electronic Signatures and Communications Law in El Salvador; 2) building public and private sector capacity in areas covered under CAFTA-DR, such as the intellectual property provisions set out in Chapter 15, the implementation and observance of the investment commitments set out in Chapter 10, and the regulations concerning origin for the textiles and apparel sectors under Chapter 3; and 3) strengthening foreign trade management in institutions such as the Dominican Republic Foreign Trade Office (DICOEX) or Guatemalan Office of Foreign Trade Administration (DACE).

## **B. Specific Comments**

We have reviewed the evaluation document and welcome the opportunity to provide specific comments and further clarifications.

### **Section 4.1 – Strengths and Weaknesses of the [CRT] Program (Page 20)**

**Report:** “The materials developed on the topic of origin did not have a significant impact...and the virtual origin workshop is basic.”

**Comments:** Rules of Origin are occasionally perceived as a very technical subject where only specialists are able to understand its complexity. The purpose of the online training course on rules of

origin was aimed to introduce the subject, in a cost-effective and sustainable manner, to a broader audience and make it useful and reachable for trade practitioners and not only for Rules of Origin specialists which are a much reduced number. Therefore, the target audiences for this online training were people in the trade community with little or no knowledge on the subject. The purpose was to introduce them to such a complex topic and to provide fundamental elements of the rules of origin and origin procedures established in the CAFTA-DR. This training can obviously be upgraded and deepened for a different target audience with a more profound understanding of the subject matter. When the training was implemented, the CRT received positive feedback. Users found the training resourceful and with highly educational content. It is clear that for rules of origin specialists, this type of training might be perceived as basic; however, as explained above, they were not the targeted audience for this specific tool.

**Report: “There were errors in the identification of appropriate institutions to operate the Single Virtual Import Window (Spanish acronym VUVI). This diluted the results of this action. Nicaragua’s Ministry of Commerce (MIFIC) was not adequately included in the project, even though it negotiated and implemented CAFTA and played an important role in previous USAID projects”**

**Comments: The evaluation highlights that the project team did not identify the appropriate institution to implement the single window. In the case of Nicaragua, while the CRT considered the MIFIC as the pertinent agency to implement this system, the Customs Authority had the presidential mandate, through a Presidential Decree, to implement the Single Virtual Window for Imports. Those decisions were outside the control of the CRT. In the case of El Salvador, as we explain below, the selection of the Customs Directorate (DGA) for the implementation and operation of the VUVI was made by our government counterparts and, at the time the process started, it had the strong support not only of DGA, but also at the highest levels of government through the Technical Secretariat of the Presidency. The evaluation report is correct in stating that these types of initiatives require strong political support and commitment at the highest levels of government for their implementation. The CRT was fully aware of this and obtained that commitment. Unfortunately, the timing of the activity did not work in our favor and the situation changed with the change in government in that country.**

**Report: “The same consultants were hired to draft the manuals and lead the workshops. This limited the viewpoint, especially on verification of origin. Moreover, many of these consultants were Mexicans and often emphasized the Mexican experience in their presentations. This was criticized during the interviews.”**

**Comments:** Throughout the life of the project, the CRT worked with professional from several different nationalities. We tried, to the extent possible, to bring experienced consultants from the within the region. That said, for origin verification issues in particular, the report is correct in asserting that the CRT project team relied on the expertise and know-how of primarily Mexican consultants. This was basically for two reasons: 1) Mexico had the relatively recent experience in implementing the North America Free trade Agreement (NAFTA). We believe that the NAFTA experience is relatively similar and the selected consultants brought appropriate relevant experiences, similar to the needs and realities of the Central America region and the Dominican Republic; and 2) the experience and expertise in this particular topic was still nascent in the CAFTA-DR countries. We believe that bringing Mexican consultants that could share lessons learned and best practices when developing manuals and training in their implementation was a value added to the region. In addition, bringing a specialist from Europe or a South American country was far apart from the reality in the Central America region.

#### **Section 4.2 Trade Capacity Building (page 21)**

**Comments:** In designing training activities the CRT always considered the feedback of participants in preparation for and also after the trainings. Trainings responded to the needs and demands of participants. Furthermore, all the trainings, workshops, seminars, and events designed by the CRT were implemented in close coordination with national and regional key players on trade and customs. The Project also invited representatives from both public and private sectors to participate in these events. The CRT records keep track of all the list of trainees invited as well as those that participated. These lists showed a broad audience that was able to participate in each country.

#### **Section 4.3 Rules of Origin (Page 22)**

**Report:** The report mentions that some activities were duplicated by different USAID programs.

**Comments:** The CRT was aware of the scope of other similar USAID programs in the region and not only tried to avoid any duplication of efforts, but worked to carefully select activities that would complement and build upon activities implemented by other programs. For example, while Booz Allen Hamilton (another USAID contractor) provided technical assistance to strengthen the origin unit in El Salvador, the CRT participated and provided targeted assistance to develop verification of origin manuals as well as training to conduct audits that serve as practical lessons for the beneficiaries.

These activities were not a duplication of efforts but rather an opportunity to coordinate and build on another USAID program.

#### Software tools dealing with origin (Page 24)

**Comments:** The CRT program developed an innovative information technology tool to facilitate the understanding and use of ROO and the issuance of electronic certificates of origin. The Electronic Documents Generator (GEDOEL) is an electronic tool that guides users through a series of decision trees made up of closed, easily understood questions that are designed to determine whether or not a particular product (identified by its Harmonized Tariff Schedule, or HTS, code) satisfies the origin requirements under CAFTA-DR. If a product does satisfy origin requirements, the system is capable of generating the respective certificate of origin. The software, developed under subcontract with the IT firm AHCC, was completed and installed in “cloud” servers under the administration of SIECA in July 2009. Subsequently, in October 2009, at SIECA’s request, the system was transferred and installed in SIECA’s servers in Guatemala. SIECA’s personnel subsequently received training on the use, operation, and, more important, maintenance of the system. All the operations manuals were also transferred to SIECA. In addition, AHCC provided technical support to SIECA for a period of six months. When the CRT program ended in September 2010, the GEDOEL system had been working well for almost a year and it was fully operational. SIECA did not report any difficulties with the system. Furthermore, SIECA’s IT staff had the tools and training to appropriately operate and maintain the system. It is important note that GEDOEL was designed with the flexibility to modify the system’s decision trees with an easy-to-use Excel tool and without the need for IT professionals or software programmers. This allows SIECA’s personnel to make changes as a result of changes to CAFTA-DR’s ROO, without the need to change the functionality of the system. The evaluation report states that the system was not working during the evaluation period. We do not know the reasons for this and the lack of system maintenance may vary well have contributed to the problems that the system was experiencing during the evaluation period. Nevertheless, as agreed with USAID, Chemonics worked with AHCC and SIECA, and took the necessary actions to ensure that the GEDOEL system is fully operational again as it was originally designed. We understand that, after the system was reinstalled with remote support from AHCC, the system is now working and meets the objectives of determining whether goods meet the origin rules within the framework of CAFTA-DR.

#### Offices’ Processing times and physical inspections (page 26)

**Comments:** The report acknowledges that there have been substantial improvements in the clearance time for goods through customs. Nonetheless, there are some complaints, which always exist. It is important to note, however, that these are isolated cases. Nowadays, clearance time for normal operations do not exceed 48 hours, except when there are problems with documentation, errors or intermediaries. These delays are not directly attributable to Customs directorates.

#### **Developing Customs manuals to promote transparency (page 27)**

**Comments:** The CAFTA-DR Regional Trade Program effectively developed customs manuals for Honduras, Nicaragua, Guatemala and Costa Rica. It is our understanding that in all countries the documents were well received. We got satisfactory comments and feedback from all parties involved. It is important to highlight that when developing these guidelines we kept parties engaged throughout the process and they were always approached to provide their opinion and feedback. In fact, Customs authorities provided final approval before finalizing them. Therefore, it is surprising that a representative of Nicaragua mentioned during the evaluation of the project that the version of that country contained errors (he may have been referring to a draft version). These documents, as explained above, before their publication and approval by the project, went through an approval process by the customs authorities in each country. These guidelines were developed under the legal framework for customs for all countries in Central America [Central American uniform Customs Code (Cauca)], which is the legal standard for all countries in Central America.

#### **Virtual Single Windows for imports (page 27)**

**Comments:** The VUVI was designed as a single web portal containing all of the procedures that interested parties must complete in order to import goods requiring permits from other institutions. It was a cost-effective solution to centralize and streamline the import procedures and permits required by government agencies responsible for the control of goods for health, environmental, security, or other reasons. The evaluation report is correct in stating that these types of initiatives require strong political support for their implementation. When the VUVI design process started in El Salvador both the DGA and the Technical Secretariat of the Presidency strongly supported the project. However, at the time the system was developed, tested successfully on DGA-ES servers, and was ready to be launched, a changeover in the Salvadoran government and the attendant shifts at the executive and technical levels of the DGA ultimately prevented its launching. This experience left behind a very important lesson: before committing program resources, government institutions must be required to make a political commitment to support project implementation all the way through, so as to ensure its continuity and sustainability regardless of any political changes that might occur.

## **ANNEX VIII: SIECA – OBSERVACIONES AL INFORME FINAL SOBRE LA EVALUACIÓN DE LOS PROGRAMAS REGIONALES Y BILATERALES DE APOYO AL CUMPLIMIENTO DE NORMAS COMERCIALES DEL CAFTA-DR**

### **A. COMENTARIOS RESPECTO AL COMPONENTE DE ORIGEN:**

En el componente de Origen del Convenio de Cooperación SIECA/USAID 596-A-00-06-00092-00, la evaluación resalta tanto los resultados positivos, como aquéllos en donde no se cumplieron las expectativas, los cuales se comentan más adelante (Ver comentarios a puntos específicos del Informe Final).

☐ **Pone en relieve el éxito en la actualización de las reglas específicas de origen conforme a la Cuarta Enmienda del SA, destacando la contribución técnica de la SIECA, la cual concluyó con la aprobación de la Resolución de la Comisión de Libre Comercio del CAFTA-DR.**

☐ **Se reconoce que otro de los logros significativos del proyecto lo constituyeron las Directrices Comunes, para la interpretación aplicación y administración del Capítulo 4 y las disposiciones pertinentes del Capítulo 3 del CAFTA-DR, destacando su importancia para los exportadores e importadores y que las mismas aún no han sido consideradas por EUA para su aprobación.**

☐ **Los evaluadores también consideran exitosa la actividad desarrollada para la implementación de la certificación electrónica de origen del CAFTA-DR.**

☐ **Al referirse al desarrollo de las capacidades comerciales, destaca el éxito que se obtuvo en las capacitaciones para el sector de textiles y prendas de vestir (página 25), indicando que “fue bien recibido y muy exitoso. El taller alcanzó sus objetivos, creó una imagen positiva y recibió elogios de los entrevistados”.**

☐ **Se reconoce el logro del Taller de Origen realizado en Costa Rica, el cual fue organizado conjuntamente con el Gobierno.**

☒ Se valora la importancia de los talleres para capacitar a jueces, lo cual se logro por la coordinación de la SIECA con los gobiernos de El Salvador, Guatemala y Costa Rica.

☒ Sin embargo, para el resto de capacitaciones (sectores productivos y gobierno), los evaluadores tienen una percepción distinta, lo cual pudo deberse a que durante el período evaluado, tanto la SIECA como Chemonics realizaron capacitaciones, puesto que ambos lo tenían dentro de sus respectivos programas. Según los evaluadores “los participantes estaban confundidos y no podían identificarlos [los seminarios que impartió la SIECA respecto de los impartidos por Chemonics] (página 25).

De lo anterior, puede concluirse que la mayor parte de actividades realizadas en el componente de origen fueron positivamente evaluadas, salvo el caso de las capacitaciones, por las razones ya indicadas.

#### **AB. COMENTARIOS A PUNTOS ESPECÍFICOS (PUNTOS DÉBILES) DEL INFORME FINAL**

##### **Comentarios del Informe:**

1. Indica que los materiales desarrollados en el tema de origen no tenían un impacto significativo (página 24).

##### **Comentarios de la SIECA**

Los materiales distribuidos por la SIECA consistían en las mismas presentaciones de los consultores, las cuales eran completas en cuanto al abordaje de los temas de origen CAFTA-DR, y contenían ejemplos sobre la aplicación de la normativa. Se envían algunos materiales desarrollados en el tema de origen.

##### **Comentario del Informe.**

2. Falta material de apoyo (página 41)

##### **Comentario de la SIECA**

Llama la atención la observación de los evaluadores, ya que los seminarios se organizaron conjuntamente con los gobiernos o instituciones del sector privado beneficiarias, de esa cuenta

siempre se contó con materiales de apoyo proporcionados por estos. En todo caso este punto es ambiguo ya que no hace referencia que tipo de materiales de apoyo.

**Comentario del Informe:**

**3. GEDOEL no está funcionando y el taller virtual de origen es fundamental .**

**Comentarios de la SIECA:**

En este caso se refiere a dos productos que no fueron desarrollados por la SIECA. Sin embargo, las observaciones de SIECA respecto al GEDOEL se señalan en documento anexo

**Comentario del informe**

**4. Los evaluadores observan que se contrató a los mismos consultores para elaborar los manuales y para conducir los talleres, y a menudo acentuaron la experiencia mexicana en sus presentaciones. (página 40)**

**Comentario de la SIECA**

La SIECA no desarrolló ningún manual durante el período al que se refieren en ese acápite, de manera que esta observación que hicieron los países, debe corresponder a las actividades desarrolladas por Chemonics.

**5. En el caso de la SIECA no hay información disponible sobre los talleres (página 24), sus participantes, su contenido o la localización.**

**Comentarios de la SIECA**

Durante la evaluación se entregó toda la información relativa a programas de capacitación, listas de asistentes, e inclusive algunas presentaciones. Se adjunta nuevamente la información sobre los talleres, contenidos y participantes.

#### Comentario del Informe

6. El informe indica que el RTP informó que por “opiniones oficiales, los talleres fueron superficiales, repetitivos, y a veces no estaban orientados a las circunstancias específicas del país, México fue utilizado constantemente como una referencia aunque no es un país CAFTA”. (página 25)

#### Comentarios de la SIECA

Con la información que se adjunta sobre el contenido de las capacitaciones y las presentaciones se podrá constatar que lo informado por RTP no es correcto. La contratación de expertos mexicanos se debió a la experiencia que tienen en administrar el régimen de origen del NAFTA, lo cual se valoró desde la perspectiva de las verificaciones de origen.

Por otra parte, la SIECA siempre exigió que las presentaciones únicamente se refirieran al CAFTA-DR, lo cual fue cumplido por los expositores quienes proporcionaron abundante información sobre los temas más controvertidos desde el punto de vista de la aplicación.

Adicionalmente, los expertos de la SIECA, participaban para resolver dudas o complementar algunos temas (por ejemplo: aplicación plurilateral). Del contenido de las presentaciones se puede constatar la profundidad con que se abordaron los temas.

#### Comentarios del Informe

7. Se hizo la observación de que funcionarios “clave” de los gobiernos y del sector privado no participaron en los talleres.

## **Comentarios de la SIECA**

Sobre este punto es importante destacar que la observación de los evaluadores es ambigua y no identifica que entienden por “funcionarios clave”, los talleres se realizaron en coordinación con los gobiernos y las instituciones del sector privado beneficiarias, quienes solicitaron estos talleres “a nivel técnico”. En ningún momento los gobiernos solicitaron los talleres para funcionarios de alto nivel.

En términos generales, es importante indicar que los puntos débiles señalados por los evaluadores no pueden ser atribuidos en su totalidad a la SIECA, debido a que los mismos evaluadores reconocen que los países no pudieron diferenciar los talleres realizados por la SIECA y lo de Chemonics, sin embargo, se han aportado pruebas que desvirtúan que los puntos débiles correspondan a las capacitaciones desarrolladas por la SIECA.

### **B. COMENTARIOS RELACIONADOS CON LA EVALUACIÓN DE LA SIECA**

#### **8. La página Web de la SIECA**

**Comentarios del Informe:**

Está obsoleta (párrafo 5), página 62).

## **Comentarios de la SIECA**

La página está actualizada. En origen cuenta con información relativa a las normas del CAFTA-DR, la resolución de la Comisión de Libre Comercio relativa a la adecuación de las reglas específicas de origen conforme a la Cuarta Enmienda del SA, así como “El ABC de las Reglas de Origen del CAFTA-DR” que es un documento que explica el régimen de origen del Tratado con un lenguaje fácil. En materia arancelaria, se le incluyó un listado de productos químicos con su clasificación arancelaria.

Sin embargo los evaluadores critican que el documento del ABC de las reglas de origen, se trata de un documento muy básico y que los países mencionan que no profundiza en las disciplinas del CAFTA-DR. Es importante hacer ver que fue a través de las Directrices Comunes que se buscó profundizar en los temas del CAFTA-DR, documento que fue consensuado a nivel técnico, y que se encuentra disponible al público y está dirigido a un usuario experto, en tanto que el Manual se orienta a usuarios inexpertos para facilitar la comprensión de la normativa de origen. Ambos documentos persiguen objetivos distintos.

9. En lo que respecta al GEDOEL (párrafo 6), página 62),

**Comentario del Informe:**

**El Sistema continúa como deuda pendiente para la región**

**Comentarios de la SIECA**

**Es importante hacer las siguientes consideraciones:**

- a. La contratación del GEDOEL se hizo directamente entre Chemonics y AHCC y la SIECA no tuvo acceso a los términos de la contratación.
  
- b. Cuando USAID entregó el GEDOEL a la SIECA se suscribió un Memorándum de Entendimiento, entre el Coordinador Regional del CRT y la Secretaria General de la SIECA (16 de febrero de 2010) en el cual la Secretaría se comprometió a administrar el GEDOEL en los términos y condiciones allí señaladas. En el punto 3 de dicho Memorándum, se estableció que “la SIECA no es ni será responsable por las fallas en el funcionamiento del GEDOEL y en su caso recurrirá a los efectos contractuales de su creación y a la asistencia financiera y técnica de la USAID si fuere necesario hacer correcciones o adecuaciones al software del Sistema.”
  
- c. El GEDOEL ha estado dando problemas en la validación del origen desde febrero 2011 y se ha estado trabajando conjuntamente con USAID, para que AHCC de asistencia para corregir las fallas en el Sistema.
  
- d. Hasta ahora únicamente se ha logrado que AHCC proporcione los instaladores y la SIECA ha instalado nuevamente el Sistema, y éste ha funcionado con la información que fue cargada en 2009.

e. El GEDOEL no permite hacer actualizaciones por lo que ahora es una herramienta obsoleta, ya que por efectos de los cambios en el Sistema Armonizado, las reglas específicas de origen han sido actualizadas conforme a la Cuarta Enmienda del SA y en enero de 2012 cobrará vigencia la Quinta Enmienda del SA, lo que hará necesaria una nueva actualización.

f. Se requerirá entonces que USAID continúe dando la asistencia técnica y financiera, tal como quedó establecido en el Memorándum de Entendimiento, hasta que se logren corregir los problemas que está dando el software para poder actualizar el GEDOEL.

g. Las dificultades en las entrega del GEDOEL fueron señaladas por la SIECA durante la evaluación (página 28 y 29).

h. Se anexa un documento en el que se hace un recuento de todo lo de GEDOEL.

En los demás aspectos se han hecho los comentarios a los puntos débiles señalados por los evaluadores.

#### **C. COMENTARIOS RESPECTO AL COMPONENTE DE ADUANAS:**

El informe indica que los documentos examinados no siempre especifican si un documento es para el mercado centroamericano o para CAFTA-DR (Página 43).

En materia aduanera, tratándose de procedimientos y directrices que emanan de la Organización Mundial de las Aduanas y de la Organización Mundial del Comercio, todas las medidas que adopten los países en materia de facilitación deben ser consistentes con los compromisos adquiridos en el ámbito de estas organizaciones. Los tratados de libre comercio, como el CAFTA-DR, ratifican esos compromisos o generan una profundización de los mismos, pero nunca podrían contravenirlos.

De esa cuenta los resultados en materia de aduanas, que los evaluadores, reconocen como como “un logro importante para la mejora de las operaciones aduaneras”. (Página 44) constituyen un resultado concreto del proyecto, que además resulta de beneficio en apoyo a la construcción de la unión aduanera.

#### **1. CAUCA Y RECAUCA**

#### **Comentarios del Informe:**

En cuanto al CAUCA y RECAUCA el informe enfatiza en que el trabajo de la SIECA fue de apoyo logístico y que no hizo contribuciones significativas a los aspectos técnicos de los documentos.

#### **Comentarios de la SIECA**

Es importante indicar que la SIECA preparó los documentos que sirvieron de base para las discusiones del Comité Aduanero. Este trabajo consumió mucho esfuerzo de los países para poder acordar la normativa que actualmente estuvo vigente. El CAUCA y RECAUCA fueron revisados para incluir las disposiciones del Capítulo Cinco (5) del CAFTA-DR, especialmente con miras a alcanzar el objetivo de reducir los tiempos de despacho de las mercancías.

### **2. Manual Único de Procedimientos Aduaneros**

#### **Comentarios del Informe:**

El manual se terminó pero puede no ser aprobado (página 45)

#### **Comentarios de la SIECA**

En lo que respecta al Manual Único de Procedimientos Aduaneros, la SIECA elaboró la primera versión de los 32 procedimientos aduaneros armonizados que sirvieron de base para las discusiones en las reuniones técnicas. Con los aportes de los países, finalmente los Directores de Aduanas aprobaron los 32 procedimientos y los compilaron en el Manual que se encuentra publicado en la página Web de la SIECA y en las páginas Web de los países. Estos procedimientos, desarrollan los procedimientos que establecen el CAUCA y el RECAUCA y su objetivo es homologar la aplicación de dichos procedimientos, lo cual ha constituido una valiosa contribución para la facilitación del comercio y fortalecer el cumplimiento de la normativa aduanera.

### **3. Asistencia técnica para la implementación del sistema automatizado y el procedimiento de despacho mediante la modalidad de Courier.**

#### **Comentarios del informe**

Los evaluadores indican en su informe que no hay opinión unánime, y que algunos países consideran que lo que hizo la SIECA no ha dado ninguna contribución (página 45).

#### **Comentarios de la SIECA**

Sobre este aspecto es importante indicar que los Directores de Aduanas consideraron que este tema no era prioritario en Centroamérica, aún así varios países lo adoptaron. Se adjunta el procedimiento que está actualmente vigente, el cual fue diseñado y preparado por la SIECA y posteriormente aprobado por los países. Asimismo, la SIECA contrató a un experto informático para diseñar e implementar un sistema informático de Courier, pero únicamente lo diseñó porque los Directores Generales de Aduana lo quitaron de su plan de trabajo

#### **4. Sistema de Análisis de Riesgo**

##### **Comentarios del Informe**

Es difícil identificar la contribución individual de cada uno de los tres proyectos evaluados, a menudo los beneficiarios confunden el origen de la ayuda que reciben. (Página 45)

##### **Comentarios de la SIECA**

La implementación del sistema de análisis de riesgo y clasificación aduanera (SAVA) es un mecanismo basado en las mejores prácticas internacionales y las directrices de la OMA. El proyecto se encuentra implementado y es reconocido por los evaluadores como un resultado exitoso. La asistencia se brindó a través del experto Sr. Camacho, y aunque un país negó la asistencia de SIECA, no hay lugar a dudas que el Sr. Camacho fue contratado por SIECA para brindar esta asistencia. Pero por otra parte, los países centroamericanos recibieron cooperación de Corea, y en algunos casos se vieron obligados a utilizar el Sistema que este país proporcionó.

#### **5. Acuerdo de Asistencia Mutua y cooperación Técnica entre Centroamérica y Estados Unidos**

##### **Comentarios del Informe**

##### **Comentarios del Informe**

Los evaluadores no recibieron copia del convenio de Asistencia Mutua y cooperación técnica entre Centroamérica y los Estados Unidos (página 46)

##### **Comentarios de la SIECA**

La SIECA elaboró una primera versión de este Convenio, el que fue revisado y aprobado por el Grupo Técnico correspondiente y los Directores Generales de Aduanas se envió a los Estados Unidos para su aprobación y hasta el momento no se ha recibido respuesta de éste país.

#### **6. Base de datos de rutas fiscales**

##### **Comentarios del Informe:**

Los evaluadores indican que no se pudo evaluar la base datos de rutas fiscales. (página 47)

##### **Comentarios de la SIECA**

Es importante señalar que este trabajo fue construido tomando de base las rutas nacionales que los países tenían autorizadas con lo cual se integraron las rutas regionales en el mismo está el compromiso de los países de alimentar el sistema, pero hasta el momento solo El Salvador y Nicaragua han enviado información. La SIECA ha solicitado a los otros países el envío de la información sin resultados positivos

## **7. Implementación del intercambio electrónico del FAUCA**

### **Comentarios del Informe**

Tanto el sistema como su implementación han sido objeto de crítica. (página 47)

### **Comentarios de la SIECA**

Aun cuando los evaluadores consideran que este trabajo fue objeto de crítica por los países, el FAUCA electrónico se encuentra funcionando en cuatro países a través de la plataforma telemática de la SIECA. Solo un país (Costa Rica) no implementó esta herramienta lo cual se debió básicamente a problemas que se presentaron en su sistema TICA, en la Reunión de Directores de Aduanas de Centroamérica 1 y 2 de diciembre 2011, informaron que en enero inician transmisión.

Sobre todo lo relacionado con el tema arancelario, los entrevistados indicaron que los aportes de la SIECA han sido sustanciales.

**ANNEX IX: Comments from Booz Allen Hamilton on Customs and Business Environment Program for El Salvador.**

**RE: USAID Trade Programs Evaluation Report**

**Kedrock, William [USA] <kedrock\_william@bah.com> Mon, Dec 5, 2011 at 12:16 AM**

**To: "Montenegro, Gabriela" <gmontenegro@usaid.gov>, "Ebberts, Ann [USA]" <ebberts\_ann@bah.com>**

**Cc: Carlos Arce <CArce@usaid.gov>, "McAndrews, Thomas (San Salvador /EG)" <tmcandrews@usaid.gov>, Connie Gonzalez <cgonzalez@usaid.gov>**

**Good Day,**

**Please excuse the tardy reply. I've been traveling and your email became buried under many others. I just wanted to confirm that Booz Allen had no comments to offer to the evaluation. We appreciate the opportunity to review the report and the opportunity to provide services to the people of El Salvador and USAID.**

**Kind Regards,**

**Bill**

**William A. Kedrock**

**Booz | Allen | Hamilton**

**703.377.5653**

**kedrock\_william@bah.com**

**From: Montenegro, Gabriela [mailto:gmontenegro@usaid.gov]**

**Sent: Wednesday, November 16, 2011 4:08 PM**

**To: Ebberts, Ann [USA]; Kedrock, William [USA]**

**Cc: Carlos Arce; McAndrews, Thomas (San Salvador /EG); Connie Gonzalez**

**Subject: USAID Trade Programs Evaluation Report**

Dear Ms. Ebberts and Mr. Kedrock,

Carlos Arce, USAID El Salvador Economic Growth Office Bilateral Program Manager, kindly provided your contact information.

In October 2011 USAID ECAM concluded the Evaluation of Trade Programs in support of CAFTA-DR. This evaluation was conducted by Segura Partners LLC. The Customs and Business Environment Program implemented by Booz Allen Hamilton that ended in 2008 was one of the project under this evaluation.

In accordance to our Agency Evaluation Policy, once the evaluation report is completed, the report is disseminated and submitted to the Agency's Development Experience Clearinghouse (DEC). Before dissemination of this report, we would like to give implementers an opportunity to comment. Your comments will be attached as an annex to the final report.

Please find the report attached and kindly provide the comments before November 30th.

Best regards,

Gabriela Montenegro

Trade & Food Security Specialist

Economic Growth Office

USAID / San Salvador

e-mail: [gmontenegro@usaid.gov](mailto:gmontenegro@usaid.gov)

Tel: (503) 25013404

Fax: (503) 2501-3747

## ANNEX X: Individuals Interviewed

	PAIS	NOMBRE DE ENTREVISTADO	POSICIÓN	INSITUACIÓN	FECHA DE ENTREVISTA	INFORMACIÓN DE CONTACTO
1.	ES	Carlos Cativo	Director General	Aduanas	4/5/2011	(503)2244-5002
2.	ES	Daysi Reinosa	Sub-Director General	Aduanas	4/5/2011	(503)2244-5002
3.	ES	José Domingo Castellanos	Jefe de División Técnica	Aduanas	4/5/2011	(503)2244-5002
4.	ES	Luis Ernesto Angulo	Asesor de la Dirección	Aduanas	4/5/2011	(503)2244-5002
5.	ES	Nelson Saragoza	Técnico en Planificación	Aduanas	4/5/2011	(503)2244-5002
6.	ES	Margarita Ocón	Gerente Internacional	Banco Central de Reserva	4/5/2011	(503)2281-8069
7.	ES	José Cornelio Deras	Jefe	CENTREX	4/5/2011	(503)2281-8069
8.	ES	Carlos Arce	Gerente Programa Bilateral de Crecimiento Economico	USAID	4/5/2011	(503)2501-3427; 2501-3458; 2501-3515
9.	ES	Gabriela Montenegro	Trade and Food Security Specialist	USAID	4/5/2011	(503)2501-3427; 2501-3458; 2501-3515
10.	ES	Michelly Jennings	Director Economic Growth Office	USAID	4/5/2011	(503)2501-3427; 2501-3458; 2501-3515
11.	ES	Rafael Cuellar	Project Manager	USAID	4/5/2011	(503)2501-3427; 2501-3458; 2501-3515
12.	ES	Thomas McAndrews	Deputy Office Director, Regional Program Economic Growth Office	USAID	4/5/2011	(503)2501-3427; 2501-3458; 2501-3515
13.	ES	Eliseo Cañas	Responsable de Origen	Aduanas de El Salvador	4/6/2011	(503)2244-5282
14.	ES	Jaime Fonseca	Unidad de Riesgo	Aduanas de El Salvador	4/6/2011	(503)2244-5282
15.	ES	Karen Santos	Responsable de Paces	Aduanas de El Salvador	4/6/2011	(503)2244-5282
16.	ES	Guillermo Meza	Responsable de Valoración	Aduanas de El Salvador	4/6/2011	(503)2244-5282
17.	ES	Walter Meléndez	Responsable de Curier	Aduanas de El Salvador	4/6/2011	(503)2244-5282
18.	ES	Dr. Javier Siman	Presidente y Exportador USA	ASI	4/6/2011	(503)2279-2488
19.	ES	Jorge Arriaza	Director Ejecutivo	ASI	4/6/2011	(503)2279-2488
20.	ES	Arístides Bonilla Melvin Majano	Junta Directiva	Asociación de Agentes de Aduana	4/6/2011	(503)2235-3362; 2222-9348
21.	ES	Concepción Martínez	Junta Directiva	Asociación de Agentes de Aduana	4/6/2011	(503)2235-3362; 2222-9348
22.	ES	Francisco Tóchez	Junta Directiva	Asociación de Agentes de Aduana	4/6/2011	(503)2235-3362; 2222-9348
23.	ES	Margoth Casteneda	Junta Directiva	Asociación de Agentes de Aduana	4/6/2011	(503)2235-3362; 2222-9348
24.	ES	Ramón Rivas	Junta Directiva	Asociación de Agentes de Aduana	4/6/2011	(503)2235-3362; 2222-9348
25.	ES	M. Ruano	Director	Política Comercial	4/6/2011	(503)2239-2100

26.	ES	Lic. Luis Salazar	Administrador de Tratados	N/A	4/6/2011	(503)2239-2100
27.	ES	Lic. Mario Roger Hernández	Viceministro de Economía	N/A	4/6/2011	(503)2231-5600
28.	ES	Lic. Carmen Aída Muñoz	Directora Ejecutiva	AMCHAM	4/7/2011	(503)2263-9494
29.	ES	Lic. Samadhy Martínez	Ases. Economía y Com. Int.	AMCHAM	4/7/2011	(503)2263-9494
30.	ES	Lic. Silvia Machuca	Secretaría Técnica de la Presidencia de la Rep	Apoyo Insitucional al CAFTA	4/7/2011	(503)2511-5046
31.	ES	Ana Mariela Valladares	Prog. Sanidad Porcina	División Servicios Veterinarios	4/7/2011	(503)2202-0824
32.	ES	Dra. Martiza de Rivas	Prog. Sanidad Acuícola	División Servicios Veterinarios	4/7/2011	(503)2202-0824
33.	ES	Dra. Verónica Roxana Aguilar	Prog. Sanidad Apícola y Zoonosis	División Servicios Veterinarios	4/7/2011	(503)2202-0824
34.	ES	Dr. Francisco Morales	Coordinador de Programas	División Servicios Veterinarios	4/7/2011	(503)2202-0824
35.	ES	Dr. José Amilicar Maldonado	Prog. Sanidad Avícola	División Servicios Veterinarios	4/7/2011	(503)2202-0824
36.	ES	Dr. Miguel Ramírez	Jefe de Servicios	División Servicios Veterinarios	4/7/2011	(503)2202-0824
37.	ES	Helmer Esquivel	Director General	SPS	4/7/2011	(503)2202-0835
38.	ES	Rolando Vanegas	P.B. Bruselosis, Tuberculosis y Vigilancia	División Servicios Veterinarios	4/7/2011	(503)2202-0824
39.	ES	Ing. Luis Parada	Food Safty	National Laboratories	4/7/2011	(503)2202-0832
40.	ES	Margarita Arango	Director	National Laboratories	4/7/2011	(503)2202-0801; 2202-0802
41.	ES	Ing. Carlos Mejía Alférez	Director de la Empresa & Director de la Asociación de productores de arroz	ARROCERA SAN FRANCISCO	4/8/2011	(503)2213-1100
42.	ES	Ing. Francisco Bolaños	Pte.	COEXPORT & Sea Food Exporter	4/8/2011	(503)2212-0200
43.	ES	Lic. Ana Leonor de Pocasangre	Asesora	COEXPORT & Sea Food Exporter	4/8/2011	(503)2212-0200
44.	ES	Lic. Silvia Cuéllar	Asesora	COEXPORT & Sea Food Exporter	4/8/2011	(503)2212-0200
45.	ES	Carolina Franco	Economista	FUSADES	4/8/2011	(503)2248-5600
46.	ES	Dra. Amy Angel	Secc. Agrícola	FUSADES	4/8/2011	(503)2248-5600
47.	ES	Lic. Carlos Orellana M.	Resp. Com. Internacional	FUSADES	4/8/2011	(503)2248-5600
48.	ES	Ing. Luis Roberto Fernández	Gerente General	San Julián	4/8/2011	(503)7886-6597
49.	ES	Aristides Mariona	Superv. Matadero San Juan	SIGMA Food (FUD)	4/8/2011	(503)2278-3311
50.	ES	Elio Rivas	Gerente de Planta	SIGMA Food (FUD)	4/8/2011	(503)2278-3311
51.	ES	Ing. Beatriz Sandoval	Gerente Normatividad	SIGMA Food (FUD)	4/8/2011	(503)2202-0801

52.	ES	Melina Alvarado	Inspec. Calidad	SIGMA Food (FUD)	4/8/2011	(503)2297-8401
53.	ES	Pedro Gutiérrez	Contralor - Reglas de Origen	SIGMA Food (FUD)	4/8/2011	(503)2297-8401
54.	ES	Vladimir Grande L.	Adm. Granja Industrial Bonanza	SIGMA Food (FUD)	4/8/2011	(503)2297-8401
55.	ES	Ing. José Manuel Pacas	Director General	Tropix Foods (Pupusas y Tamales)	4/8/2011	(503)2345-6224
56.	ES	Lic. Angela Biguer	Ex. Directora Aduana	Asesore Asociación Salvadoreña de Industriales	4/9/2011	(503)2267-9200
57.	ES	Lic. Rigoberto Monge	Negociador	Asesore Asociación Salvadoreña de Industriales	4/9/2011	(503)2267-9200
58.	HON	Ing. Jacobo Paz	Presidente/Gerente General	ANDAH/SENASA Comisión Especial	4/11/2011	SENASA: (504)2232-6213/jacopaz@amnettgu.com
59.	HON	Ing. Jorge Torres	Importador de Carnes & Coordinador	Interinstitucional Para la Modernización del Servicio Aduanero	4/11/2011	DEI: (504)2238-7287; 2550-1601; 2442-2402/delikatessen@cablecolor.hn
60.	HON	Mr. Eduardo Chirinos	N/A	USAID	4/11/2011	(504)2236-9320/echirinos@usaid.gov
61.	HON	Mr. Todd Hammer	N/A	USAID	4/11/2011	(504)2236-9320/thammer@usaid.gov
62.	HON	Lic Guillermo Matamoros	Director Ejecutivo	AMH	4/12/2011	(504)2516-9100/operateg@ahm-honduras.com
63.	HON	Lic. José Manuel Landaverde	Empresario relacionado con productos naturales & Coordinador MIPYME (SME's)	ANDI	4/12/2011	vida_naturalhn@yahoo.com
64.	HON	Dr. Howarth Padgett	Gerente de Calidad carnicos	CADECA (pollos)	4/12/2011	(504)2237-3981; 2237-1802/hpadgett@dipcmi.com.hn
65.	HON	Abogado, Armando Urtecho	Director Ejecutivo	COHEP	4/12/2011	(504)2235-3336/aurtecho@cohep.com
66.	HON	Ing. Walter Ramirez	Director	Dirección de Protección al Consumidor, Secretaria del Industria y Comercio	4/12/2011	(504)2235-77-00/ramirez_w@yahoo.com
67.	HON	Lic. Gustavo Cheyez	Propietario Agencia Aduanera Inversiones Caribe	FENADUANAH	4/12/2011	(504)2221-6865/gustavochevez@hotmail.com
68.	HON	Lic. Miriam Girón	Secretaria Ejecutiva	FENADUANAH	4/12/2011	(504)2221-6865/miriamgironn@yahoo.com
69.	HON	Lic. Lidabel Almendarez	Gerente de Negociaciones Comerciales & Negociadora del Sector Privado	MA, ROO Y SPS	4/12/2011	p_comercial@cohep.com
70.	HON	Embajador José Enrique Mejía Uclés	Negociador del Sector Privado	Rice Growers Association	4/12/2011	agor@cablecolor.hn
71.	HON	Lic. Cesar Diaz	Negociador	Acceso a Mercados, Secretaria de Industria y Comercio	4/13/2011	cdiaz@sic.gob.hn
72.	HON	Lic. Marlon Ramirez	Ex-Sub Director de Rentas	DEI	4/13/2011	(504)2238-7287;2550-1501-2242-

73.	HON	Lic. Sandra Avila	Aduaneras Exdirectora de Rentas Aduaneras	DEI	4/13/2011	2402/fabriciocoto@gmail.com (504)2238-7287;2550-1501-2242- 2402/fabriciocoto@gmail.com
74.	HON	Lic. Melvin Redondo	Jefe de negociaciones comerciales por Honduras/Agreements Administrator	Neogciaciones Comerciales/FTA, Secretaria de Industria y Comercio	4/13/2011	melvin.redondo@gmail.com
75.	HON	Lic. Elmer Cerrato	Negociador	Regias de Origen, Secretaria de Industria y Comercio	4/13/2011	ecerrato@sic.gob.hn
76.	HON	Lic. Emelinda Lara	Directora	Sectores Productivos, Secretaria de Industria y Comercio	4/13/2011	emelindalara@hotmail.com
77.	HON	Lic. Patricia Lopez	Directora Ejecutiva	AMCHAM	4/14/2011	(504)2271-0094/plopez@amchamhonduras.org
78.	HON	Lic. Sandra Viana	Sub Director de Aduana & Oficial de Análisis de Riesgos	DEI	4/14/2011	(504)2238-7287;2550-1501-2242- 2402/sviana@dei.gob.hn
79.	HON	Dra. Iris Lorena Galeano de Cuire	Jefe	Departamento de Regulación Sanitaria, Secretaria de Salud	4/14/2011	(504)2237-9404
80.	HON	Rosa Zuniga	Asistente al Jefe	Departamento de Regulación Sanitaria, Secretaria de Salud	4/14/2011	(504)2237-9404
81.	HON	Ana Gomez	N/A	US Embassy	4/14/2011	(504)2236-9320;2238-5114
82.	HON	Natalie Vander Horst	N/A	US Embassy	4/14/2011	(504)2236-9320;2238- 5114/vanderhorstn@state.gov
83.	HON	Rossana Lobo	Senior Commercial Specialis	US Embassy	4/14/2011	(504)2236-9320;2238- 5114/Rossana.Lobo@trade.gov
84.	HON	Dr. Marco Polo Micheletti	N/A (representará a SENASA en tema SPS)	SENASA	4/15/2011	SENASA: (504)2232- 6213/mpmicheletti2002@yahoo.com
85.	GUA	Licda. Laura de Aguilera	Ex-Directora Integración	SIECA	4/25/2011	Licda. Mayora: (502)6634-1134
86.	GUA	Licda. Yolanda Mayora	Ex-Secretaria	SIECA	4/25/2011	Licda. Mayora: (502)6634-1134
87.	GUA	Ing. Enrique Lacs	Ex-viceministro, Economía, Exdirector CENCIT	AKIANTO	4/26/2011	(502)4052-0148
88.	GUA	Carolina Castellanos	Directora Ejecutiva	AMCHAM	4/26/2011	(502)2417-0800
89.	GUA	Marisol García	Asesora en Comercio	AMCHAM	4/26/2011	(502)2417-0800
90.	GUA	Nancy Cárdenas	Directora de Comercio	AMCHAM	4/26/2011	(502)2417-0800
91.	GUA	Dr.Fernando Arceyuz (cancelaron)	Sub-Jefe del Departamento de Regulación y control de Alimentos	Dirección General de Regulación, Vigilancia y Control de Salud, MINISTERIO DE SALUD PÚBLICA	4/26/2011	Brísila Godoy: (502)2369-8784 al 86

92.	GUA	Lic. Adán Franco Hernández (cancelaron)	Unidad Técnico Normativa	Dirección General de Regulación, Vigilancia y Control de Salud, MINISTERIO DE SALUD PÚBLICA	4/26/2011	Brísila Godoy: (502)2369-8784 al 86
93.	GUA	Allan Páramo	Jefe Informática	SIECA	4/26/2011	Licda. Mayora: (502)6634-1134
94.	GUA	Edna Valenzuela	Esp. Aduanera	SIECA	4/26/2011	Licda. Mayora: (502)6634-1134
95.	GUA	Edwin de León	Esp. Aduanero	SIECA	4/26/2011	Licda. Mayora: (502)6634-1134
96.	GUA	Lic. Ernesto Torres	Secretario General	SIECA	4/26/2011	Licda. Mayora: (502)6634-1134
97.	GUA	Marissa Mont	Especialista Origen	SIECA	4/26/2011	Licda. Mayora: (502)6634-1134
98.	GUA	Licda. Mónica Gramajo	Directora	DIACO	4/27/2011	(502)2361-0772;74;78;82
99.	GUA	William García	Ex Director Chemonics	SIECA	4/27/2011	Licda. Mayora: (502)6634-1134
100.	GUA	Clara Luz Marroquín	Asesora Origen	Ministerio de Economía	4/27/2011	(502)2412-0200
101.	GUA	Lic. Alex Cutz	Director Ad. Tratad.	Ministerio de Economía	4/27/2011	(502)2412-0200
102.	GUA	Luis Molina	Asesor Comercio Ext.	Ministerio de Economía	4/27/2011	(502)2412-0200
103.	GUA	Tatiana Blanco	Asesora Origen	Ministerio de Economía	4/27/2011	(502)2412-0200
104.	GUA	Brigite Obrock	Comisión Plant. Ornam	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
105.	GUA	Edgar Santizo	Comisión de Vegetales	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
106.	GUA	Fanny de Estrada	Directora Ejecutiva	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
107.	GUA	Hyron Peña	Coordinador SPS	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
108.	GUA	Jaime Sosa	Director PIPAA	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
109.	GUA	Marta Castañón	Comisión de Frutas	AGEXPORT	4/28/2011	Rosemarie Luna: (502)242-3400
110.	GUA	Lic. Bernardo López	Ex Ministro de Agricultura, Ex Negociador CAFTA	AKIANTO	4/28/2011	(502)2366-3015
111.	GUA	Beltrán Oscar Morales	Agente Aduanero	Corporación de Agentes Aduaneros	4/28/2011	(502)2331-6831
112.	GUA	Héctor Eduardo	Agente Aduanero	Corporación de Agentes Aduaneros	4/28/2011	(502)2331-6831
113.	GUA	Paulina de Monroy	Coordinadora Técnica Gestión de Calidad	Laboratorio Nacional de Salud	4/28/2011	María Fernanda Gálvez: (502)6644-0599
114.	GUA	Byron Gil	Animal	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
115.	GUA	Cecilia Burette	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
116.	GUA	David Orellana	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
117.	GUA	Dr. Miguel Azañón	Director Sanidad	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
118.	GUA	Herber Morales	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
119.	GUA	Herbert Pezzarossi	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
120.	GUA	Jorge Gómez	OIRSA	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385

121. GUA	Nelson Ruano	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
122. GUA	Nery Sandoval	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
123. GUA	Pablo López	VISAR	Ministerio de Agricultura	4/28/2011	David Orellana: (502)2413-7385
124. GUA	Ing. Marvin Prado	Jefe Depto. Inteligencia Aduanera	SAT	4/28/2011	Lic. Edwin de León SIECA: (502)2368-2151
125. GUA	Ana Vilma Pocasangre	Oficial de Proyectos	USAID	4/28/2011	(502)2422-4000
126. GUA	Josefina Martínez	Oficial Comercio y Ambiente	USAID	4/28/2011	(502)2422-4000
127. GUA	Cesar Zamora	Director Ejecutivo	CENCIT	4/29/2011	(502)2334-6878-80
128. GUA	Roberto Castañeda	Vice Presidente	Planesa	4/29/2011	(502)2385-4944; 2385-4899; 2367-1800
129. GUA	Marcio Cuevas	Gerente Asuntos Corporativos	Wal-Mart	4/29/2011	(502)2485-5500
130. GUA	Ing. Erick Tovar	N/A	GES	4/30/2011	N/A
131. CR	Mauricio Avendaño	Presidente	Camara de Industriales de Alimentos Balanceados	5/2/2011	(506)2293-6211
132. CR	Edgar Herrera	Director Ejecutivo	LAICA	5/2/2011	(506)2284-6073/eherrera@laica.co.cr
133. CR	Carlos Padilla	Deputy	SFE	5/2/2011	(506)2549-3400
134. CR	Pedro Sanchez	Director	SFE	5/2/2011	(506)2549-3400
135. CR	Roger Ruiz	Director	SFE	5/2/2011	(506)2549-3400
136. CR	Margarita Libby	Regional Consultant in Trade Facilitation	USAID	5/2/2011	(506)8833-7806/libby@margaritalibby.com
137. CR	Kelly Strange	Agregada Agrícola	USDA in San José	5/2/2011	(506)2519-2028; 2519-2334;2519-2333/agsanjose@fas.usda.gov
138. CR	Kevin Smith	Consejero Agrícola	USDA in San José	5/2/2011	(506)2519-2028; 2519-2334;2519-2333/agsanjose@fas.usda.gov
139. CR	Marco Gonzales	Especialista Agrícola	USDA in San José	5/2/2011	(506)2519-2028; 2519-2334;2519-2333/agsanjose@fas.usda.gov
140. CR	Victor Gonzales	Especialista Agrícola	USDA in San José	5/2/2011	(506)2519-2028; 2519-2334;2519-2333/agsanjose@fas.usda.gov
141. CR	Jason McNemey	Political Economic Counselor	US Embassy in San José	5/2/2011	(506)2519-2000
142. CR	Julie Schechter	Political Economic Counselor	US Embassy in San José	5/2/2011	(506)2519-2000
143. CR	Francisco Quirós	Director Ejecutivo	CANATRAC	5/3/2011	(506)2220-1216; 2220-0438; 2296-1867
144. CR	Enaldo Miranda	Director Ejecutivo	CORFOGA	5/3/2011	(506)2234-2576
145. CR	Alejandra Porras	N/A	Ministerio de Comercio Exterior	5/3/2011	(506)2299-4700
146. CR	Carolina Vargas	N/A	Ministerio de Comercio Exterior	5/3/2011	(506)2299-4700
147. CR	Gabriela Castro	N/A	Ministerio de Comercio Exterior	5/3/2011	(506)2299-4700
148. CR	Marvin Salas	N/A	Ministerio de Comercio	5/3/2011	(506)2299-4700

149. CR	Minor Corrales	N/A	Exterior Ministerio de Comercio Exterior	5/3/2011	(506)2299-4700
150. CR	Lynda Solar	Directora Ejecutiva	American Chamber of Commerce-CR	5/4/2011	(506)2220-2200
151. CR	Sergio Navas	Vicepresidente Ejecutivo	CADEXCO	5/4/2011	(506)2280-8033/snavas@cadexco.net
152. CR	Mónica Araya	Presidenta	CADEXCO	5/4/2011	(506)2280-8033
153. CR	Juan Luis Zuñiga	Consultor	Central America Trade Consulting, Dirección General de Aduanas	5/4/2011	(506)2234-6978
154. CR	Bernardo Ovares	Jefe Unidad de Origen	Dirección General de Aduanas	5/4/2011	(506)2233-6797; 2233-6645
155. CR	Desiderio Soto	Director	Dirección General de Aduanas	5/4/2011	(506)2233-6797; 2233-6645
156. CR	Cynthia Zapata	Directora - Apoyo al Consumidor	Ministerio de Economía, Industria y Comercio	5/4/2011	(506)2549-1400/consumo@consumo.go.cr
157. CR	Isabel Cristina Araya	Directora - Mejora Regulatoria (Codex Alimentarius)	Ministerio de Economía, Industria y Comercio	5/4/2011	(506)2291-2155 exts:203,242; 2291-1936/iaraya@meic.go.cr
158. CR	Bernardo Vargas	Director Ejecutivo	ACOFLOR	5/5/2011	(506)2253-8160/contactenos@gtcoterayasociados.com
159. CR	Abel Cháves	Presidente	CANAPEP	5/5/2011	(506)2291-5237
160. CR	Luis F. Monge	Director Ejecutivo	CRECEX	5/5/2011	(506)2253-0126
161. CR	Esteban Agüero	Abogado Consultor	Former CAFTA Administrator	5/5/2011	(506)8871-7586; 2201-5476/eag@aguilarcastillolove.com
162. CR	Miguel Shyfter	Directivo	CATECO	5/6/2011	(506)2220-2981
163. CR	Rodolfo Molina	Presidente	CATECO	5/6/2011	(506)2220-2981
164. CR	Ing. Nidia Morera	Deputy	Dirección de Alimentos y Bebidas, Ministerio de Salud	5/6/2011	(506)2223-0333; 2223-0726; 2223-0841
165. CR	Ing. Xinia Arias	Directora (tentativa)	Dirección de Alimentos y Bebidas, Ministerio de Salud	5/6/2011	(506)2223-0333; 2223-0726; 2223-0841
166. CR	Asdrubal Paniagua	Gerente	Sardimar	5/6/2011	(506)2504-7676
167. NIC	Jorge Molina	Director Ejecutivo	CETREX	5/9/2011	(505)2248-3808 ext. 102 & c:(505)8615-0256
168. NIC	Dr. Ronald Blandón Bustamante	Gerente General	CONAGAN	N/A	(505)2268-5338 & c:(505)8810-2871/ronnica61@yahoo.es & conagan@turbonett.com.ni
169. NIC	René Blandón	Presidente	CONAGAN	5/9/2011	(505)2266-0542
170. NIC	Gilberto Alcócer	Presidente	CONIMIPYME	5/9/2011	(505)2278-0701 & c: (505)8880-7138/info@conimipyme.org.ni & conimipyme@yahoo.com

171. NIC	Ana Cecilia Tijerino	Sub Directora Ejecutiva	FUNIDES	N/A	(505)2270-6490 ext:21 & c:(505)8884-7696/ana.tijerino@funides.com
172. NIC	Mario Arana	Coordinador Nacional	FUNIDES	5/9/2011	(505) 2270-6490 & c:(505)8883-2358
173. NIC	Álvaro Baltodano	Presidente	PRO Nicaragua	5/9/2011	(505)2270-6400
174. NIC	Engelsberth Gómez	Director de Inteligencia y Desarrollo	PRO Nicaragua	N/A	(505)2270-6400 ext:116 & c:(505)8930-3903/egomez@pronicaragua.org.ni
175. NIC	Javier Chamorro Rubiales	Director Ejecutivo	PRO Nicaragua	5/9/2011	(505)2270-6400
176. NIC	Jimmy Bolaños	Oficial USDA/FAS - Especialista de Agricultura	USAID Nicaragua	5/9/2011	(505)8756-4639
177. NIC	Julio Terán	Agriculture Officer	USAID Nicaragua	5/9/2011	(505)2252-7536
178. NIC	Timothy O'Hare	Senior Economist	USAID Nicaragua	5/9/2011	(505)2252-7270/tiohare@usaid.gov
179. NIC	Maureen Murray	Oficial Económica y Comercial	U.S. Embassy, Managua	5/9/2011	(505)2252-7107 ext: 7604/murraymd2@state.gov
180. NIC	Azucena Castillo de Solano	Gerente General	APEN	5/10/2011	(505)2268-6053/acastillo@apen.org.ni
181. NIC	Enrique Zamora	Presidente de Junta Directiva	APEN	5/10/2011	(505)2268-6053
182. NIC	Sonia Somarriba	Gerente de Comercio y Cooperación	APEN	N/A	(505)2268-6053/ssomarriba@apen.org.ni
183. NIC	Martiza Obando	Coordinadora de Proyectos	CEI	5/10/2011	(505)2252-5747
184. NIC	Luz Marina Arana Castillo	Trade Point Coordinator	CEI	N/A	(505)2252-5747 ext:121/larana@cei.org.ni
185. NIC	Roberto Brenes Icabalceta	Gerente General	CEI	N/A	(505)2252-5747/rbrenes@cei.org.ni
186. NIC	Blanka Callejas	Presidente	CONAFRUBE	5/10/2011	(505)887-8026
187. NIC	Ariel Bucardo Rocha	Ministro MAGFOR	MAGFOR	5/10/2011	(505)2276-0235 & (505)2276-0233
188. NIC	Hugo Ordoñez	Director de Sanidad Vegetal	MAGFOR	5/10/2011	(505)2270-9924; 22704284
189. NIC	Mauricio Pichardo Ramírez	Director Salud Animal	MAGFOR	5/10/2011	(505)2278-3417
190. NIC	Bernabela Orozco	Directora de Inocuidad Alimentaria	MAGFOR & MIFIC	5/10/2011	(505)2278-4235 ext. 119/120
191. NIC	Freddy Rodríguez	Director Protección al Consumidor	MAGFOR & MIFIC	5/10/2011	(505)2248-9300 ext. 2249 & c:(505)84219501
192. NIC	Haydee Zambrana	Responsable de Inspección de Frutas y Vegetales	MAGFOR & MIFIC	5/10/2011	(505)2276-2037
193. NIC	Juan Bautista Velásquez	Representante de OIRSA	MAGFOR & MIFIC	5/10/2011	(505)2278-1230
194. NIC	Martin Agenor Rosales Mondragón	Responsable Dpto. De Vigilancia Fitosanitaria y Campañas	MAGFOR & MIFIC	5/10/2011	(505)2270-9929 & c:(505)89839964
195. NIC	Maxwell Reyna	Medidas Sanitarias y Fitosanitarias (MIFIC)	MAGFOR & MIFIC	5/10/2011	(505)2248-9300 ext. 1079
196. NIC	Salvador Guerrero	Codex Alimentarius (MIFIC)	MAGFOR & MIFIC	5/10/2011	(505)2248-9300 ext. 2238
197. NIC	Sonia García Vílchez	Jefe de Laboratorios Nacionales	MAGFOR & MIFIC	5/10/2011	(505)2278-4236

198. NIC	Cristian Martínez	Director de Aplicación y Negociaciones Comerciales	MIFIC	5/10/2011	(505)2248-9300 ext. 1023 &c:(505)8421-9455
199. NIC	Cristian Zeledón	Responsable Origen	MIFIC	5/10/2011	(505)2248-9300 ext. 1168
200. NIC	Jesús Bermúdez	Director General de Comercio Exterior	MIFIC	5/10/2011	(505)2248-9300 ext. 1024
201. NIC	Orlando Solórzano	Ministro MIFIC	MIFIC	5/10/2011	(505)2248-9300
202. NIC	Sigrid Morales	Encargada del Departamento de América de Norte	MIFIC	5/10/2011	(505)2248-9300 ext. 1167
203. NIC	Urania Raudez	Jefe del Departamento de Comercio de Bienes	MIFIC	5/10/2011	(505)2248-9300
204. NIC	Danilo Cortez	Secretario Ejecutivo	ANAR	5/11/2011	(505)2222-5513 & c:(505)8810-3739/daniloc47@hotmail.com
205. NIC	Eduardo Fonseca	Director Ejecutivo	CACONIC	5/11/2011	(505)2268-3505
206. NIC	Mario González Lacayo	Presidente	CACONIC	5/11/2011	(505)2268-3505 & c: (505)8866-9929/mgonzales@landterra.org
207. NIC	Francisco Martínez	N/A	CADAEN	5/11/2011	(505)2244-4595 & c:(505)8861-1634
208. NIC	MSC. Joe Henry Thompson Argüello	Asesor Jurídico	CADAEN	N/A	(505)2248-4374 & c:(505)8883-3115/consultcustomjoe@gmail.com
209. NIC	Alfredo Marín Ximénez	Presidente	CADIN	N/A	(505)2254-5011 & c:(505)8853-1680/marinx@sanmartin.com.ni
210. NIC	Oscar Alemán Benavides	Economic Adviser	CADIN	5/11/2011	(505)266-8847 & c:(505)852-5760/cenci@cadin.org.ni & alinco@ibw.com.ni
211. NIC	Carlos Sequeira	Negociador de Tratados	N/A	5/11/2011	N/A
212. NIC					
213. NIC	Carlos Solórzano	Gerente General	VEGYFRUT	5/11/2011	(505)2279-5141
214. NIC	Alfredo Artilles	N/A	AMCHAM	5/12/2011	(505)2266-2758
215. NIC	Freddy Blandón Argeñal	Asesor Jurídico	COSEP	N/A	(505)2276-3333 & c:(505)8883-4092/f.blandon@cnicaragua.com & f.blandon@cosep.org.ni
216. NIC	José Adán Aguerri	Presidente	COSEP	5/12/2011	(505)2276-3333 ext: 117
217. NIC	María Germanía Carrión	Directora Ejecutiva	COSEP	5/12/2011	(505)2276-3333 ext: 117
218. NIC	Eddy Artola	Director de la División de Riesgo	DGA	5/12/2011	(505)2249-3151 ext: 139 & c:(505)8887-4188
219. NIC	Edwin García	Subdirector de la División Técnica	DGA	5/12/2011	(505)2249-5750
220. NIC	Fresia Alí Centeno	Sub Directora General de Aduanas	DGA	5/12/2011	(505)2248-2642 & c:(505)8408-0601
221. NIC	Mauel Mayorga	Director de Convenios y Acuerdos	DGA	5/12/2011	(505)2249-3151 ext: 213

222. NIC	Yohanna Torres	Fiscalización de la Aduana	DGA	5/12/2011	(505)2249-3151 ext: 375
223. NIC	Emma Clúa (subsidio de maternidad)	Representante	Unión Europea	5/12/2011	(505)2280-9951
224. NIC	Karina Eugenia De León	Asesora de Cooperación	Unión Europea	5/12/2011	(505)2270-4499/karia-eugenia.de-leon-lopez@ec.europa.eu
225. NIC	Luz Habed	Asesora para Asuntos de Cooperación	Unión Europea	5/12/2011	(505)2270-4499-/luz-marina.habed-castellon@ec.europa.edu
226. NIC	Marc Litvine	Jefe de Operaciones	Unión Europea	N/A	(505)2270-4499/marc.litvine@eeas.europa.eu
227. NIC	Felipe Argüello Agüero	Director Ejecutivo	UPANIC	5/12/2011	(505)2251-0340/felipe@upanic.org.ni
228. NIC	Juan Álvaro Manguía	Vicepresidente	UPANIC	5/12/2011	(505)2251-0340
229. NIC	Manuel Álvarez Solórzano	Presidente	UPANIC	5/12/2011	(505)2251-0340
230. NIC	Dean García Foster	Director Ejecutivo	ANITEC	5/13/2011	(505)8809-5121 & c:(505)8886-4274/director@anitec.net
231. NIC	James Scoot Vaughn	Presidente (representante de Inversión Extranjera)	ANITEC	5/13/2011	(505)277-2955; 852-2409
232. NIC	Ing. Willmer Fernández	Presidente Junta Directiva	CANISLAC	5/13/2011	(505)226-1111 & c:(505)8421-7360/canislac@ibw.com.ni & willantony00@yahoo.es
233. NIC	Aída Patricia Mayorga	Propietaria	Creaciones Oscarito's	5/13/2011	(505)2522-6844 & c:(505)8879-6989
234. NIC	Alfredo Marín	Gerente General	Matadero San Martín	5/13/2011	(505)2254-5011
235. NIC	Álvaro Fiallos	Presidente	UNAG	5/13/2011	UNAG-León: (505)311-2948
236. NIC	Alejandro A. Aráuz L.	Gerente General	A. Aráuz Consulting & Associates, S.A.	N/A	(505)2266-1616 & c:(505)8850-1609/aarauz@yahoo.com & aarauz@gmail.com
237. NIC	Alfredo Marin X.	Director Ejecutivo	Industrial San Martín, S.A.	N/A	(505)2254-5011 ext:112/marinx@sanmartin.com.ni
238. NIC	Roberto B. Bequillard	Director General	Kaltex Argus	N/A	(505)2552-1330/rbequillard@kaltexargus.com.ni
239. NIC	Scott Vaughn	Presidente	Rocedes	N/A	(505)2263-3225/3126 & c:(505)8882-0919/svaughn@rocedes.com.ni
240. RD	Iván Veloz	Presidente	Asociación Dominicana de Textileros	5/16/2011	(809)473-7977
241. RD	Aberto Durán	Encargado de Cooperación Internacional	DICOEX	5/16/2011	(809)567-7192
242. RD	Miguelina Estévez	Encargada de Acceso a Mercados	DICOEX	5/16/2011	(809)567-7192
243. RD	Yahaira Sosa	Directora	DICOEX, Ministerio de Industria y Comercio	5/16/2011	(809)567-7192
244. RD	Ing. César A. Guerrero	Viceministro de Planificación Sectorial Agropecuaria	Ministerio de Agricultura	5/16/2011	(809)547-3888 exts: 3001/3002 c: (829)910-7641/cesar.guerrero@agricultura.gob.do
245. RD	Lic. Raúl Peralta Girón	Director	Ministerio de Agricultura, DIA	5/16/2011	(809)547-3888 ext: 6024/6023/mlecheraulperalta@yahoo.com &

246. RD	Duty D. Greene	Asesor de Políticas Económicas	USAID Santo Domingo	5/16/2011	rperaltagiron@hotmail.com (809)731-7008 & c:(809)383-0060/dugreene@usaid.gov
247. RD	Luis C. González B.	Economic Policy Coordinator	USAID Santo Domingo	5/16/2011	(809)221-1000 ext: 7005/lgonzales@usaid.gov
248. RD	María de Lourdes Núñez	Coordinadora de Logística y Facilitación Comercial	CNC	5/17/2011	(809)476-7262 ext:306 & c:(809)657-0808/maria@cnc.gov.do
249. RD	Eduardo Rodríguez Apolinario	Subdirector Técnico	DCA Aduanas	5/17/2011	(809)547-7070 exts:2210/2379/2234/2543/e.rodriguez@dga.gov.do
250. RD	Cesar Diaz	Encargado Fiscalización Aduanas	DGA Aduanas	5/17/2011	(809)547-7070
251. RD	Jorge Medrano	Encargado Ventajilla única	DGA Aduanas	5/17/2011	(809)547-7070
252. RD	Carlos Lu	Gerente Compras Internacionales	Grupo Alonso	5/17/2011	(809)620-8585
253. RD	Johnny Leyba	Presidente	Is Asociación Dominicana de Agentes Aduaneros	5/17/2011	(809)566-0724
254. RD	Angel Faxas	Director de Ganadería	Ministerio de Agricultura	5/17/2011	(809)535-9689 ext: 21
255. RD	Luis Félix Rosa	Director General Salud Ambiental Director Alimentos y Bebidas, Presidente del Comité Nacional para la Aplicación de Medidas Sanitarias y Fitosanitarias	Ministerio de Salud Pública	5/17/2011	(809)541-3121 exts: 2533/2213/Dir: (809)544-2083
256. RD	Dr. Salvador Hiciano	Nacional para la Aplicación de Medidas Sanitarias y Fitosanitarias	Ministerio de Salud Pública y Asistencia Social	5/17/2011	(809)541-3121 ext: 2525-2204 & c:(809)883-1545/salvadorhiciano@yahoo.es
257. RD	Lynette Batista	Directora	Proyector Bilateral USAID (Chemomics)	5/17/2011	(809)412-5957
258. RD	Alberto Durán Espaillat	Coordinador Cooperación Int. & Fortalecimiento Capacidades Comerciales	Ministerio de Industria y Comercio	5/17/2011	(809)567-7192 ext:1013/alberto.duran@mic.gob.do
259. RD	Iván Ogando L.	Especialista en Comercio - Contratista de USAID	Proyecto de USAID Para La Implementación del CAFTA-DR	5/17/2011	(809)412-5957 & c:(809)982-5211/iogando@chemonicsdo.com
260. RD	Jesús De Los Santos	Director/Contratista USAID	ABT Associates Inc.,	5/18/2011	(809)338-0887/jesus@agroreddom.org
261. RD	Juan Aracena	Especialista en Poscosecha y Agregación de Valor/Contratista USAID	ABT Associates Inc.,	5/18/2011	(809)338-0887/juan@agroreddom.org
262. RD	Pilar Ramirez	Especialista en Agricultura Orgánica/Contratista USAID	ABT Associates Inc.,	5/18/2011	(809)338-0887/pilar@agroreddom.org
263. RD	Zahir Baloum	Director de Operaciones y Finanzas/Contratista USAID	ABT Associates Inc.,	5/18/2011	(809)338-0887 & proyecto cell:(829)669-4181/zahir@agroreddom.org
264. RD	Ignacio Méndez	Consejo Consultivo de	Asociación de Empresas	5/18/2011	(809)560-2160/aeih@verizon.net.do

		Pasados Presidentes - Miembro	Industriales de Herrera, Inc.		
265. RD	Milagros J. Puello	Vicepresidenta Ejecutiva	Camara de Comercio y Producción de Santo Domingo	5/18/2011	(809)682-2688/mpuello@camarasantodomigo.org.do
266. RD	Daniel Liranzo	Sub-Director Ejecutivo	Consejo Nacional de Sonas Francas de Exportación	5/18/2011	(809)686-8077
267. RD	Dr. Rafael B. Nuñez M.	Director	Dirección Sanidad Animal, Dirección General de Ganadería del Ministerio de Agricultura	5/18/2011	(809)535-9689 exts: 266/228 & c:(829)535-9689/sanidadanimalrd@gmail.com
268. RD	Lic. Alejandro Tabar	Coordinador de Servicios	IIBI	5/18/2011	(809)566-8121 exts: 3336/2008 & c:(809)293-4648/tabar@iibi.gov.do
269. RD	Manuel Diaz Franjul	Consultor	Parte del Equipo Negociador del CAFTA-DR	5/18/2011	(803)383-5000
270. RD	Hugo Rivera	Consultor	Parte del Equipo Negociador del CAFTA-DR	5/18/2011	(803)383-5000
271. RD	Jose Manuel Torres	Vice Presidente Ejecutivo	ADOZONA	5/19/2011	(809)472-0251/adozona@codetel.net.do
272. RD	Megan A. Schildgen	Agregada Comercial para la Región del Caribe	Embassy of the United States of America	5/19/2011	(809)227-2121 ext: 236/megan.schildgen@trade.gov
273. RD	Osmar C. Benítez	VP Ejecutivo	Junta Agroempresarial Dominicana, Inc.	5/19/2011	(809)563-6178/o.benitez@jad.org.do
274. RD	Ing. José del C. Valenzuela R.	Subdirector de Cooperación Internacional y Calidad	Pro Consumidor	5/19/2011	(809)472-2731 ext:254 & c:(829)471-4216/jvalenzuela@proconsumidor.gov.do & jvalram@gmail.com
275. RD	Licda. Altagracia Paulino	Directora Ejecutiva	Pro Consumidor	5/19/2011	(809)472-2731 ext: 235
276. RD	Luis Garrido (cancelaron)	Director	Sanidad Vegetal del Ministerio Agricultura	5/19/2011	(809)547-3888 ext: 4101
277. RD	Claudia Chez	Gerente de Mercadeo	Junta Agroempresarial Dominicana	5/19/2011	(809)563-6178 ext:225 & c:(829)878-9795/c.chez@jad.org.do
278. RD	William Malamud	Vice Presidente Ejecutivo	AMCHAMDR	5/20/2011	(809)332-7240/wmalamud@amcham.org.do
279. RD	Arsenio Jiménez Polanco	Coordinador Nacional	ISPRI	5/20/2011	(809)381-8074/arsenio.jimenez@comex.gov.do
280. RD	Rafael Diaz	Exportador de Piñas	Sector Privado	5/20/2011	(809)350-1667
281. RD	Alexander R. Guzmán	Executive Transportation & Real Estate	ASOTRATUOSEP	N/A	c:(829)925-7323 & res:(809)560-3993
282. RD	Angel Barón	División Microbiología	LAD	N/A	(809)563-6178
283. WASH	Nate Herman	Vice President, Internatioanl Trade	American Apparel & Footware Association	5/13/2011	(703)797-9062
284. WASH	Joaquim Tres Viladomat	Integration and Trade Lead Specialist	Inter-American Development Bank	N/A	(202)623-2179/jtres@iadb.org

285. WASH	Richard P. Stetson	International Trade Specialist/Office of Textiles and Apparel	International Trade Administration, U.S. Department of Commerce	4/28/2011	(202)482-0143
286. WASH	Scott Miller	Director for Global Trade Policy	Proctor & Gamble	5/16/2011	(202)393-3404
287. WASH	Patrick Kilbride	Senior Director Americas, International Division	U.S. Chamber of Commerce	4/22/2011	(202)463-5737
288. WASH	Natalie Hanson	International Trade Specialist/Textile Policy Branch	U.S. Customs and Border Protection, Department of Homeland Security	4/21/2011	(202)863-6494
289. WASH	Emily Gereffi	CAFTA-DR Regional Trade Attaché	U.S. Department of Commerce	4/19/2011	011-503-2501-3007/Emily.Gereffi@trade.gov
290. WASH	Christine Brown	International Trade Specialist	U.S. Department of Commerce	4/22/2011	(202)428-5089
291. WASH	Mark Siegelman	Part of the Market Access and Compliance Office/International Trade Administration	U.S. Department of Commerce	6/20/2011	(202)482-1191
292. WASH	Leah Markowitz	N/A	N/A	4/22/2011	(202)482-0621