

USAID/LAC/RSD
Special Objective 598-019
CLOSE-OUT REPORT

I. BASIC IDENTIFYING INFORMATION

Strategic Objective: Continued Participation of LAC sub-regional trading blocs in the Free Trade Area of the Americas process achieved.
SO Number: 598-019
Initial Obligation: FY 2000
SO Approval Date:
End Date: FY 2004
Geographical Area: LAC Region
Estimated Total Cost: \$4.2 Million

Principle implementing partners: U.S. Department of Agriculture (USDA), Federal Trade Commission (FTC), U.S. Department of Justice (DOJ), and the Organization of American States (OAS)
In collaboration with: The International Institute for Sustainable Development (IISD), the Caribbean Latin American Action (CLAA), the Chilean corporation PARTICIPA, and the CARANA Corporation.

II. INTRODUCTION

The LAC regional trade capacity building special objective was approved at \$ 2 million in 1999, and was intended to support the participation of LAC sub-regional trading bloc countries to prepare for membership in the Free Trade Area of the Americas (FTAA) to be established by 2005. The objective of Sp019 was to assist LAC smaller economies and developing countries in implementing World Trade Organization (WTO) and FTAA “rules of trade”; reinforcing regional capacity to assist countries in preparing for FTAA-related trade negotiations and strengthening targeted beneficiary capacity to participate in global markets. The special objective was a continuation of USAID support, begun under the Trade Liberalization Intermediate Result (IR 1) of SO #1(598-001), to help LAC smaller economies and developing countries to participate in the ongoing negotiations to establish the Free Trade Area of the Americas (FTAA) by 2005.

The special objective built on the results of the trade liberalization activities accomplished under the Hemispheric Free Trade Expansion (HFTE) program implemented under SO #1 that ended in FY 2000. In approving the Sp019, USAID put in place continued capacity to help LAC smaller economies and developing countries to participate in the FTAA process and to implement FTAA-related reforms. More specifically, the purpose of the special objective was to increase the capacity of Latin America and Caribbean (LAC) countries to compete effectively in global and regional trading systems as well as to undertake the necessary reforms in critical areas such as sanitary and phytosanitary standards, competition policy, custom valuation, and government procurement. The special objective provided a practical foreign policy tool to foster continued participation of LAC sub-regional trading blocs in the FTAA process under three main key areas:

- 1-Assist LAC smaller economies and developing countries in meeting WTO obligations;
- 2-Advance implementation of business facilitation measures;

3-Encourage greater civil society participation in the FTAA process.

At the country level, Spo 19 addressed U.S. foreign policy with respect to open markets, in reference to the 1998 Santiago Summit goal of “economic integration and free trade”, particularly the opportunity to sustain momentum toward building the FTAA. At the USAID level, the Spo supported the long-term priority Agency goal of “broad-based economic growth and agricultural development encouraged”. It also supported the Agency’s objective of “critical private markets expanded and strengthened”.

The initial limited time frame of Spo 19 (two-year time frame FY2000-FY2001) was the result of the decision by the LAC Bureau that a mechanism was needed to provide assistance to the LAC smaller economies and developing countries in the two-year period between the Toronto FTAA Ministerial and the Buenos Aires FTAA Ministerial, with a view to keeping open the option that the Spo could be extended at a later date for an additional period of time if the FTAA countries were continuing on track to complete the FTAA by 2005.

Ultimately, the Spo’s direct beneficiaries are the smaller economies and developing countries of the LAC region. Micro, small and medium-sized producers benefit indirectly through increased market opportunities for employment as a result of an improved environment for foreign direct investment.

The Spo’s initial result framework encompassed three IRs considered necessary to achieve the strategic objective: “Continued participation of LAC sub-regional trading blocs in the Free Trade Area of the Americas achieved”. The first intermediate result (IR) (**IR #1-Compliance with WTO Obligations**) was designed to help LAC countries to meet their obligations under WTO agreements (e.g., Agreements on Sanitary and Phytosanitary (SPS) Measures, Customs Valuations). A second IR (**IR#2- Business Facilitation Measures**), consistent with US trade policy, was to help the LAC countries focus efforts on specific business facilitation measures, specifically related to seeking improvements in trade transaction procedures, particularly in the area of customs procedures and transparency. This IR also provided for design and delivery of technical assistance to address “artificial” barriers to increased participation on international trade such as in the areas of addressing constraints to fair competition. The third IR (**IR#3- Civil Society Participation in the FTAA Process**) was to encourage the backing of governments political decisions by the civil society and increase civil society participation in and advocacy for free trade and the FTAA negotiation process.

When the Spo was amended in April 2002, the original IR2 was dropped and IR3 was broadened to “Regional capacity strengthened to assist countries in preparing for FTAA-related trade negotiations” which included participation of civil society. The IR was re-numbered as IR2. Similarly, IR1 was broadened to “Country capacity strengthened to comply with and utilize existing WTO and emerging FTAA-related rules of trade”.

III. SUMMARY OF ACCOMPLISHMENTS

“We received more Trade Capacity Building (TCB) support from USAID in one year than what we’ve been able to marshal from the EU in five years”

Andean Community Countries (CAN) representative

“I am so pleased that USAID/Peru is taking the lead in the Andes”

Tom Geiger, Former USAID/Peru Mission director

The special objective achieved the following major accomplishments in several key areas, including:

- Stimulating and expanding TCB in the Andean Region in response to the US foreign policy on “Open markets and free trade”
- Establishment of a dialogue between USAID (initially LAC/RSD and subsequently expanded to include USAID/Peru and the Andean bilateral missions), and the 5 CAN countries to facilitate identifying and prioritizing TCB needs, leading to identification of sanitary and phytosanitary (SPS) as the prime TCB priority for all 5 CAN countries.
- Commitment by the CAN for follow up assistance in SPS and competition policy reforms, plus TA in customs valuation
- Increased level of civil society participation in the FTAA process
- Competition policy reform was identified as a TCB priority for CAN
- Strengthening of national (Colombia, Peru, Ecuador, Venezuela and Bolivia) and regional (Andean Community) Sanitary and Phytosanitary measures to assist the Andean Community states comply with the WTO agreement on SPS measures.
- Strengthening the use of science-based measures under the Andean Agricultural Health System in support of WTO/SPS obligations and building institutional capacity in preparation for the hemispheric negotiations for the FTAA. This assistance was achieved through an interagency agreement (IAA) between USAID and USDA.
- Improved access to updated and reliable information concerning plant pests and animal diseases in the region that would facilitate greater market access for the trade in agricultural products in the Andean Community
- Engaged USAID/Peru to take on the role of providing regional USAID leadership role in collaboration with the USAID bilateral missions to identify areas where the regional program has comparative advantage and could best support bilateral programs.
- Assisted MERCOSUR and CAN states establish and adopt competition policy reforms necessary for the participation in FTAA negotiation process. This technical assistance was implemented through an IAA between USAID and FTC.
- Fostered increased collaboration of the CAN countries and the Andean Community General Secretariat regarding the identification of national and regional TCB needs and priorities

The accomplishment attained under Spo are consistent with the results framework of the objective. Spo targeted trade areas of assistance where USAID fostered continuing commitment of LAC smaller economies and developing countries to participate in the FTAA negotiation process, and to make trade-related reforms consistent with WTO and FTAA membership. The special objective achieved results in three key trade capacity areas: 1) supported LAC smaller economy and developing countries achieve WTO obligations, especially in the area of compliance with WTO/SPS obligations; 2) Advanced implementation of business facilitation measures in areas of competition policy; and 3) Increased greater civil society participation in the FTAA process. All in all, Spo contributed significantly to the strengthening of CAN trade capacity to comply and utilize FTAA rules of trade.

Although assistance under this special objective started in late FY 2000, several important TCB accomplishments were met. In **Compliance with WTO Obligations**, important achievements were attained in several areas, including strengthening national and sub-regional Sanitary and Phytosanitary Measures in the five country Andean Community of Nations; reinforcing the use of science-based measures under the Andean Agricultural Health System; supporting WTO/SPS obligations; and building institutional capacity in preparation for the hemispheric negotiations for the FTAA. These achievements were accomplished through three major activities: 1) a regional training workshop in risk assessment for plant and animal health; 2) the development of an Andean plant and animal health management information and surveillance system, and 3) the development of technical data sheet for lists of quarantine plant pests and animal diseases of commercial importance in the trade of agricultural products in the CAN. The sanitary and phytosanitary agreement was identified unanimously by all CAN countries as the top priority for trade capacity assistance.

Activities Objectives and Results:

Activity 1: Risk assessment and analysis in plant & animal health

Objective

The objective of the sub-regional training workshops was to provide agricultural health officials from the Andean region with information and skills in the use of Risk Analysis and Assessment as a means of determining levels of risk associated with the introduction of plant pests and animal diseases in the Andean region.

Results

Workshops were successful in enhancing the level of knowledge and understanding of risk assessment analysis for agricultural health personnel from Bolivia, Colombia, Ecuador, Peru and Venezuela. The CAN General Secretariat General was designated to manage the instrument of risk analysis, to support decision-making, and to facilitate the trade in agricultural products. Risk analysis workshops were also conducted in member countries.

The risk assessment tool became important in the trade of agricultural products among member countries in the region as well as with third countries such as the U.S and the European Union.

Activity 2: Development of an Andean plant and animal health management information and surveillance System

Objective:

The objective of this activity was to develop an internet-based management information and surveillance system to provide the Agricultural Health Services of the five Andean countries and the CAN General Secretariat with updated and reliable legal and technical information applied to phytosanitary and zoo sanitary issues. This information system will provide legal, decision support and technical reference source material to facilitate agricultural trade in the Andean community and with third countries. The system will help to protect agricultural production, including plant and animal resources from the introduction of pests and diseases that affect agricultural health in the Andean region.

Results:

The information system represents an important advance for the Andean agricultural health system and users in CAN. It consists of three subsystems which include: 1) Common elements of the system; 2) Phytosanitary information and surveillance; and 3) Zoo sanitary information and surveillance.

At the writing of this close-out report, the Andean plant and animal health management information and surveillance system were in the final development and testing phase prior to final release. The information system will be accessed via the Internet through a link in the Andean Community General Secretariat's web site. The benefits of the management information system include 24 hour, 7 days a week access to updated, reliable, and timely information concerning major phyto and zoonosology issues

for the Andean community. The system is built to provide access to 622 quarantine pest and animal disease data sheets. Such improved access to information includes emergency outbreaks, phyto and zoo sanitary alerts, geographic distribution, and epidemiological issues. The system also allows for additional updated data sheet to be added as they become available. In addition, the information system will provide access to authorizing policies, agreements and conventions between member countries and with third countries.

Activity 3: Development of technical data sheet for quarantine plant pests and animal diseases of commercial importance in the trade of agricultural products in the Andean Community of Nations.

Objective

The objective of this activity was to provide updated scientific information to officials in the agricultural health services of the Andean community concerning quarantine endemic and introduced plant pests and animal diseases. This information is critical to make risk-based scientific decisions regarding the trade of agricultural products among countries in the region and with countries outside the Andean group.

Results

The newly developed data sheets provide updated information for the principal pests and diseases that affect plants and animals in the Andean region and which can be accessed by managers and technicians. The strengthened technical and scientific criteria by which personnel will increasingly be guided supports each country's adherence to the WTO SPS agreement and supports trade capacity building in the region as well. Another important result of this activity was the technical cooperation and training established between the CAN and USDA. This increased level of contact contributed to enhance technical knowledge and access to ample information by which member countries can efficiently enforce the Andean Agricultural Health regulations and the principles established in WTO SPS agreement.

These assistance activities greatly contributed to a science-based approach in supporting wider market access for the trade in agricultural products in the Andean community. The main substantive benefit of the TC assistance emerged as the access to updated and reliable technical and scientific information concerning plant pests and animal diseases in the region that would greatly serve the needs of agricultural health policy makers, technical experts and inspectors in the region and the overall Andean agricultural health system.

In **Business Facilitation Measures**, building on earlier results attained in the Hemispheric Free Trade Expansion (HFTE) programs, the Federal Trade Commission (FTC), and the Antitrust Division of the U.S. Justice Department (DOJ), under an IAA with USAID, implemented various competition policy activities. The FTC/DOJ conducted a series of technical seminars/workshops dealing with issues such as abuse of dominance; anti-monopoly policy; and pre-merger analysis. The strong demand for this assistance in the Andean countries was illustrated by the Government of Bolivia funding several officials to attend a workshop in Buenos Aires that FTC/DOJ held under an earlier IAA for competition policy TA to the Mercosur countries. USAID's support and coordination also helped Organization of American States (OAS), USTR and other United States government entities agree on approaches to assess and meet regional technical assistance needs in areas of government procurement regulations and policy.

While USAID was not able to obtain USTR consensus to provide the assistance on customs-related BFM's (as originally intended in the design of Spo), USAID was able to respond to the CAN countries request for assistance in the competition policy area, thereby helping the countries to gain technical knowledge in this area, enhance their input to participation in competition policy negotiation and lay the foundation for a continuing program of competition policy assistance and cooperation with the US under the USAID/Peru managed Spo.

In Civil Society Participation in the FTAA Process- Under Spo 19 civil society participation was greatly enhanced with the establishment by a Chilean NGO (PARTICPA) in partnership with the Chilean Alliance for Fair and Responsible Trade (ACJR), of a civil society web page on the Free Trade Area of the Americas. The web page provided a platform for disseminating information to civil society about the FTAA and the opportunity under the FTAA process for civil society organizations to provide written submissions on trade-related issues of concerns to civil society, in response to the public invitation for civil society written submissions made by the FTAA Committee of Government Representatives on the Participation of Civil Society. The Chilean NGO played a catalytic role in significantly increasing the number of civil society written submission from the LAC region, thereby expanding the participation of LAC-based civil society organizations in the FTAA process, and fostering greater civil society awareness and understanding of the opportunities and benefits of open markets and free trade. Beyond this, and given the trade negotiation-related sensitivities associated with providing civil society-related support that would complement the FTAA committee of government representatives on the participation of civil society, USAID was not able to do more in this area.

IV-Modifications and Transfer of the Special Objective

The April 2002 amendment of LAC regional trade capacity building Spo secured additional funding of \$2.2 million for two additional years (FY2002-FY2003) in order:

- 1) to continue provision of assistance in trade capacity building to the CAN countries
- 2) to help the Andean countries maintain the momentum of identifying and defining their specific FTAA technical assistance and training needs.
- 3) to enhance the competence of LAC countries in trade capacity according to the provisions of the Quebec Summit, where agreement was reached to establish the FTAA by 2005.
- 4) to allow effective participation in the FTAA process of individual CAN countries and the CAN General Secretariat.
- 5) to ensure wide support and the creation of an FTAA that will enable CAN countries to increase their access to outside markets and therefore the demand for their products, through the negotiation and implementation of reciprocal trade agreements.
- 6) to encourage the Andean Community General Secretariat to take an active role in trade capacity building (TCB) support similar to what SIECA played under the G-CAP PROALCA project in Central America and, more importantly.

Subsequently, based on an extensive dialogue between LAC/RSD, USAID/Peru, and the other USAID Missions in the Andean Region (Bolivia, Colombia, and Ecuador), a decision was made to transfer the management of the Spo to USAID/Peru in Sept. 2002. At this time, the Spo was renamed, renumbered (with a South American prefix), and the PACD for the Spo was extended to September 30,2005 and \$5 million of Andean Counterdrug Initiative funds was approved for the Spo. The transferred Spo would be entirely focused on providing TCB support for the Andean Community. The addition of a third IR focuses on providing TA to foster trade-led entrepreneurial development.

The ultimate activity funded by LAC/RSD under Spo 19 was the initial year of the Carana TCB Rapid Response Mechanism, whose activities at the writing of this report are still underway, and will continued to be funded under the “trade-related business constraints” IR of the amended So #17.

V-Lessons learned:

Undoubtedly, the most important lessons learned under Spo 19 are reflected in its impacts and sustainability. Activities under Spo19, particularly the WTO/SPS obligations, provided important lessons learned in terms of expanding/strengthening CAN country implementation of the WTO SPS Agreement requirements.

- When Spo19 was amended, Business Facilitation Measure Intermediate Result was eliminated because the FTAA countries refused an additional round of BFM's and USAID was unable, for various reasons, to obtain concurrence of USTR to support countries in implementing any of the BFM's originally agreed to by the countries. The lesson learned here was that USAID, in designing TCB-related support, must effectively engage with USTR to ensure that the assistance being designed factors in negotiations-related sensitivities.
- Continued progress of individual CAN countries to meet emerging FTAA obligations by 2005 required sustained trade capacity building assistance at the bilateral and sub-regional level.
- The USG has a major competitive advantage in providing trade capacity building assistance given both our experience and commitment to open markets and freer trade.
- The Spo addressed the sustainability challenge, in the short run, by fostering increased interaction of Andean country regulatory agencies with their USG counterparts (i.e., USDA and FTC/DOJ), and in the longer run, by establishing USAID management capacity for the Spo within the region (i.e., USAID/Peru working closely with the CAN General Secretariat) to foster progress on institutionalizing trade policy/regulatory reforms. This is clearly a long-term process that goes beyond the short term transfer of any 2-year Spo.
- The success of the Spo is directly linked to building consensus among CAN countries in prioritizing and addressing the countries' TCB needs by embracing the regional approach as an appropriate mechanism of delivery as opposed to the bilateral one and not to overlook where they can be complementary. Although the delivery can be regional, the follow up, however, of the impact must be at the country level.
- Coordination of efforts and information sharing among USAID Missions, other USG Agencies involved in TCB and Economic Sections of the US Embassies in the Andean region are crucial to increasing the capacity of countries to participate in the FTAA process. This is important for identifying the problems the Spo is trying to address, the trade issues LAC countries are facing and whether the proposed interventions are the best way to address them
- Critical to the Spo's success was keeping it focused, relevant, and responsive to trade capacity building needs and priorities of the CAN countries.

VI. Related Studies and Assessments:

Country reports on Economic Policy and Trade Practices. 2001. State Department. Identifies key challenges and strengths of the main U.S. trading partners' trade policy, including trade issues relevant to CAN countries.

U.S. trade capacity building in the Americas. 2002. USTR. Discusses USG assistance provided by EPA, TDA, OPIC, USAID, USDA. Electronic location: http://www.dec.org/pdf_docs/PCAAB082.pdf

- The Organization of American States. Trade Unit. 2002. Trade Policy Education Resources in the Western Hemisphere: An Assessment of the Demand and Supply.
- Participa Education y Desarrollo. 2000. Citizen Participation: From the Santiago Summit to the Canada Summit. Proposal document.
- U.S. trade capacity building initiatives in the Caribbean. 2002. USTR. Discusses USG assistance to the Caribbean Community and Common Market (CARICOM) provided by USAID. Electronic location: http://www.dec.org/pdf_docs/PCAAB081.pdf
- Trade policy education resources in the Western Hemisphere: An Assessment of Demand and Supply. 2000. Salicrup, Luis A. Vergara, Gisela. Organization of American States. ISBN: 0-8270-4105-5
- Results review and resource request (R4): USAID/LAC Regional, FY 2002. March 2000. Electronic location: http://www.dec.org/pdf_docs/PDABR284.pdf
- Results review and resource request (R4): USAID/LAC Regional, FY 2003. April 2001. Electronic location: http://www.dec.org/pdf_docs/PDABT477.pdf
- Latin America and the Caribbean Regional Program- FY 2002 Annual Report. March 2002. Electronic location: <http://www.dec.org>
- USAID Award no. LAC-P-00-00-00005-01. Final narrative report for Mercosur Competition Policy Reforms Program. February 28, 2002. [Available only to authorized USAID personnel]
- USAID Award no. LAC-00-01-00006-00. Financial Support and Technical Assistance to the Secretariat General of the Andean Community of Nations on Sanitary and Phytosanitary Measures. June 30, 2003. An Inter Agency Agreement with USDA/FAS/ICD.

VII-Close-out Reporting Instruments:

A list of activities closed out under Spo19 is in Annex 1, except for the CARANA CORP. activity (rapid response mechanism to TCB in LAC- grant #: EDG-M-00-02-00041) which is at the writing of this report still active. Future funding for the CARANA contract will be provided from the LAC Regional SO 598-017 and currently being managed by LAC/RSD under the amended SO #17. Another activity related to competition policy reforms in support of the FTAA process managed by FTC under the Interagency Agreement #: LAC-P-00-01-00007 was extended until September 30, 2003, in order FTC to complete one final activity in support of the objectives of the IAA.

VIII-Human Resource Contacts:

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ANNEX 1. STATUS OF CONTRACTS/AGREEMENTS UNDER Spo 598-019

Vendor	Agreement	Start Date	End Date	Obligated	Liquidated	Recorded Balance	Amount Deobligated	Status
CARANA CORP.	EDG-M-00-02-00041-00	9/30/02	9/29/04	1,000,000.00	249,884.11	750,115.89		On-going
Organization of American States-OAS	LAC-G-00-00-00002-02	3/27/02	11/30/02	3,280	2,323.81	956.19		Contact: Kerry Byrnes/Jolyne Sanjak Amount deobligated on 9/15/03
US Department of Transportation-USDoT	LAC-P-00-00-00003	3/27/00	9/30/01	67,000.00	67,000.00	0	1,580.00	Contact: Carol Wilson DoT contact: Millicent Hawkins Project closed as of June 2002
Federal Trade Commission	LAC-P-00-00-00005	6/6/02	9/30/02	97,000.00	96,997.10	2.90		Contact: Kerry Byrnes Activity ended as of Sep. 30, 2002 Amount deobligated on 9/15/03
Federal Trade Commission-FTC	LAC-P-00-01-00007-00	9/28/01	6/30/03	329,333.00	250,511.88	78,821.12		Contact: Kerry Byrnes No-cost extension until 9/30/03
U.S. Department of Agriculture-USDA	AEP-R-AG-94-00009-20	2/15/94	9/30/04	515,384.00	515,384.00	0.00		Contact: Jolyne Sanjak On-going under SO 598-017
US Department of Agriculture-USDA/FAS/ICD	LAC-P-00-01-00006-00	9/28/02	6/30/03	300,000.00	300,000.00	0.00		Contact: Carol Wilson Activity ended as of June 30, 2003
Corporation PARTICIPA	LAC-P-00-01-00007-00	1/7/00	1/6/01	28,359.00	28,359.00	0.00		Contact: Kerry Byrnes Activity ended as of Jan. 6, 2001
Caribbean-Latin American Action-CLAA	LAG-G-00-01-00007-00	1/23/01	11/30/01	54,000.00	54,000.00	0.00		Contact: Kerry Byrnes Activity ended as of Nov. 30, 2001
Florida State University	LAG-G-00-98-00057	9/30/98	8/31/02	205,557.00	205,557.00	0.00		Contact: Kerry Byrnes Activity ended as of Aug. 31, 2002