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# COLOMBIA TRADE CAPACITY BUILDING SUPPORT PROJECT

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FINAL REPORT

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## ACRONYMS AND ABBREVIATIONS

APHIS	Animal and Plant Health Inspection Service
BASC	Business Alliance for Secure Commerce
CMMI	Capability Maturity Model Integration
CREG	Comisión Regulatoría de Electricidad y Gas
DANE	Departamento Nacional Administrativo de Estadística
DIAN	Departamento de Impuestos e Aduana Nacional
DNP	Departamento Nacional de Planeamiento
FDI	Foreign Direct Investment
FSIS	Food Safety and Inspection Service
FTA	Free Trade Agreement
GAP	Good agricultural practices
GMP	Good management practices
GoC	Government of Colombia
HAACP	Hazard Analysis and Critical Control Point
IBRD	International Bank for Reconstruction and Development
ICA	Instituto Colombiano Agropecuario
INVIMA	Instituto de Vigilancia de Medicamentos y Alimentos
IPR	Intellectual Property Rights
MFSRAU	Medicine and Food Safety Risk Analysis Unit
MIDAS	Mas Inversión para el Desarrollo Alternativo Sostenible
MoF	Ministry of Finance and Public Dept
MPC	MIDAS Policy Component
PMO	Pasteurized Milk Ordinance
SENA	Servicio Nacional de Aprendizaje
SME	Small and medium enterprise
SOW	Scope of Work
SPS	Sanitary Phyto-Sanitary
TBT	Technical Barriers to Trade
TCBS	Trade Capacity, Building Support
TOR	Task order
TPD	Tax Policy Directorate
TSG	The Services Group
USAID	United States Agency for International Development
WRAP	Worldwide Responsible Apparel Production

## I. INTRODUCTION

The Colombia Trade Capacity Building Support Program (TCBS) was set up by USAID/Colombia to promote the adoption and implementation of reforms which would facilitate policies favorable for achieving the maximum benefit from a Free Trade Agreement (FTA). These policy reforms cover a range of trade and investment areas and are designed to remove policy/regulatory rigidities, and thereby encourage positive private sector response to opportunities of an FTA while supporting the Government of Colombia (GoC) to achieve its trade, investment and integration goals. The Services Group (TSG) under Contract No. GS-10F-0277P and corresponding Task Order 514-TO-00-05-00300-0 was to work with senior GoC trade and investment policy officials and other relevant officials from both the public and private sector officials to define and implement priority trade and investment policy and institutional adjustments reforms in a manner which supports 1) the successful conclusion and implementation of a Free Trade Agreement between Colombia and the United States; and 2) maximizing the associated benefits to the Colombian Private Sector. The effective date for start of the Task Order (TOR) was December 22, 2004 with an estimated Completion Date of December 21, 2006. A total of \$5,999,744.81 was obligated. This report includes all activities and is in lieu of the 6<sup>th</sup> and 7<sup>th</sup> quarterly reports.

### 1.1 Key Elements of the Contract

The contract specifies that flexibility and adaptability of activities were to have been key elements to encourage timely response to issues and requirements arising during the FTA negotiations. Activities have been demand driven and responded to priorities defined by USAID and the GoC as negotiations were carried out. Accordingly, the Scope of Work in the TOR states that trade capacity areas identified in the contract are illustrative; although these areas were expected to be supported with reform activities, it was anticipated that other areas not specifically identified in the SOW would also be assisted. Indeed, this was the case. Whereas the contract mentioned nine specific areas, in fact a total of eighteen areas or subcomponents have received support for policy reforms. These are 1) Senate Seminars on the FTA and its Benefits, 2) Labor, 3) Customs Reform, 4) Technical Barriers to Trade (TBT) 5) Tax Benchmarking, 6) Securities Market, 7) Investment, 8) Modeling, 9) Sanitary-Phyto-Sanitary Measures (SPS) 10) Tax Policy, 11) Telecommunications, 12) Technical Cooperation Strategy, 13) Services Statistics, 14) Professional Services Standards, 15) Competitiveness, 16) Arbitration, 17) Intellectual Property Rights, 18) Energy Sector. Trade Table Memos (“notes”) issued by the GoC during the negotiations identified trade capacity building needs and defined a majority of the specific technical assistance requests to which USAID and TSG responded. Other requests were defined in direct discussions between the GoC and USAID. TSG is continuing to provide technical assistance to support needs identified in Trade Notes in many of these areas under the MIDAS Project Policy Component which began in January 2006.

### 1.2 TSG Subcontracting Partners

TSG collaborated with its subcontracted partners to carry out these activities. Chemonics was the primary subcontractor responsible for activities to support the securities market surveillance and enforcement. AT Kearney worked on benchmarking and competitiveness under the Investment Component. Fedesarrollo supported the labor component by providing consultants for the study on determinants of child labor in Colombia; the tax benchmarking component, the investment component; the securities component by providing experts in electronic banking, Internet, and ATMs; the Telecommunications Component; and for TCBS management, it provided the Deputy COP Procesix provided experts for CMMI (software) standards.

## II. ACTIVITIES AND RESULTS

### Status of the FTA

The Bush Administration initiated FTA negotiations in May of 2004 and an agreement was concluded in February of 2006. On August 24, 2006, President Bush formally notified Congress of his intention to sign a trade agreement with Colombia. However, it is not expected that the US Congress will begin considering the Agreement before January 2007.

#### 2.1 Senate Seminars on the FTA and Its Benefits

The purpose of these seminars was to increase awareness of both congress and civil society about the importance of the FTA and how regions and productive sectors would benefit from it. A written framework for the seminars included results from diagnostics focused on concerns of regions and productive sectors, with a view to incorporating regional development issues into an internal agenda and public policy reforms. The seminars carried out in the second quarter of the project in the cities of Armenia and Villavicencio and in the third quarter in Bogotá, presented opportunities for feedback and consensus building on these issues. A final report with comments collected at the seminars was delivered to President Uribe on July 20, 2005 at a ceremony opening the legislature.

Results and Accomplishments from Senate Seminars on the FTA
Supported the Congress of Colombia in developing an agenda for internal reform that was discussed with civil society in 3 regional forums and presented to the President in July 2005.

#### 2.2 Labor Component

Activities under this component are geared towards improving labor capacity and improving compliance with Colombian labor laws and regulations. Improving labor capacity focused on strengthening the Ministry of Social Protection to develop and use forecasting tools to accurately project labor demand and supply and the Servicio Nacional de Aprendizaje (SENA) the GoC's Labor Market National Training Service to adequately train workers to meet identified work force needs. A goal has been to improve the capacity of the labor force to more rapidly respond to employment opportunities created by the FTA. The key to forecasting and monitoring labor markets is using data bases, variables and survey techniques to collect updated information on a regular basis. Appropriate labor market indicators were introduced and data bases were organized into standard STATA format. Staff at the Ministry of Social Protection was trained in survey techniques and methodologies and on methods of labor market analysis. An input-output model and social accounting matrices were developed to estimate the impacts of exogenous shocks on labor demand and supply. They were delivered to the Ministry of Social Protection as was a report with estimates of labor demand disaggregated by sectors and occupations.

To monitor compliance and enforcement of labor laws, the inspection system has been studied and strengthened. A preliminary report was delivered which evaluated the current inspection process in Colombia and included recommendations for reforming the system. This led to an intensive discussion with the Ministry of Social Protection. The system will be strengthened further under the MIDAS Policy Component.

A special focus has been on the use of child labor in Colombia. An extensive report has been produced on the determinants of child labor and was discussed with the Ministry of Social Protection. It was used as appropriate for a simplified policy document on child labor and outreach activities.

Results and Accomplishments from the Labor Component
Strengthened Ministry of Social Protection to do market forecasting and monitor labor markets. Provided training in household surveys and STATA, program used for forecasting.
Presented course on Labor Economics Theory.
Collaboration between Ministry of Social Protection in Colombia and U.S. Bureau of Labor Statistics where staff was trained in workforce financing and analysis.

### 2.3 Customs Reform Component

This component has several objectives: a) to assist Colombian customs in rapidly adjusting to FTA requirements; b) to use a risk-management system to develop procedures and customs valuation; c) train customs personnel in international standards and provide limited software support; d) to support DIAN (Tax and Customs Administration) to develop procedures, IT systems, institutional re-engineering and training so that it can enforce customs laws and rules and ensure security.

A highlight accomplishment has been the establishment of a risk analysis system which facilitates compliance with FTA requirements. This process began in the second quarter of 2005 and reached full operation in the seventh project quarter. Project consultants designed a strategy which included process and institutional re-engineering and integration of modernized IT systems, developed a set of indicators and variables and set up a prototype model as a pilot prior to implementing the final version.

Rules of Origin have also been addressed. A draft manual of origin verification under FTA was presented to DIAN and its staff was trained in its use. A detailed report recommended creating a unit in DIAN to deal with issues of origin verification. Other training of DIAN staff has covered risk assessment, and FTA-consistent customs procedures.

A number of legal reforms have been supported. A draft of a decree adopting simultaneous inspection of cargo by Customs, Narcotics Police and Agricultural and Health Protection Services was delivered to DIAN and the decree was issued in October 2006. A report with a set of detailed recommendations for the implementation of administrative and penal reforms was completed. Recommendations were also provided for a new decree on rules of origin. Support has been provided for a new Customs Code which will include regulations and procedures consistent with FTA and with the MUISCA system described below.

Activities of this component have been coordinated with ongoing activities of other project components as well as with MUISCA, an institutional strengthening initiative being sponsored by the World Bank. Accordingly, procedural, regulatory and institutional reform initiatives and recommendations are consistent with MUISCA guidelines. A decision was made to work with MUISCA to design and implement customs systems in line with international standards. The Customs Administration is currently being strengthened to more adequately enforce border measures to protect intellectual property rights, including adequate and secure administration of disposal of seized goods.

Building capacity of DIAN is ongoing and a number of activities initiated under TCBS continue under MIDAS. For example, risk-management is being incorporated into all DIAN activities and the agency's ability is being strengthened to audit companies to ensure full compliance with tax, customs and foreign exchange regulations.

Results and Accomplishments of Customs Reform Component
Delivered to DIAN a draft decree adopting simultaneous inspection of cargo by Customs, Narcotics Police and Agricultural and Health Protection Services. This decree was issued October 2006.
Customs Risk Analysis System set up to facilitate compliance with FTA requirements. Training provided to

DIAN staff.
Provided DIAN with a draft Manual of Origin Verification in compliance with FTA standards and trained staff on rules of origin.
Provided support on a new customs code decree so regulations and procedures are consistent with FTA. Trained DIAN staff on FTA-consistent customs procedures.
Strengthened customs administration (in DIAN) to more adequately enforce border measures to protect intellectual property rights, in areas of administration and disposal of seized goods.
Customs work has been coordinated with work carried out under MUISCA, a World Bank financed institutional strengthening initiative.

## 2.4 Technical Barriers to Trade (TBT)

This component has the objective of defining and implementing international technical standards to be applied in Colombian firms to increase their productivity and competitiveness. The component also contributes to institutional reforms to facilitate these processes in the private sector and is expected to result in increased trade. Activities include providing sound technical advice and overseeing and organizing proper training for the implementation and certification of Colombian products and services in accordance with international technical standards. Training, workshops and technical assistance increase private and public sector understanding of the importance and use of standards, regulations and conformity assessment measures in the market. Support is provided to the GoC (especially the Ministry of Trade, Industry and Tourism and the Superintendency of Industry and Trade) on proposed policies and institutional reforms including the development of the Quality CONPES (white paper issued by the National Council of Economic and Social Policy) and the Quality Law. Certifying products, services and systems in accordance with international standards such as HACCP (Hazard Analysis Critical Control Point), CMMI (software industry), organic food, Kosher, WRAP (Worldwide Responsible Apparel Production), BASC (Business Anti Alliance for Secure Commerce) and TS16949 is expected to create better market access for Colombian products and services. This is accomplished by building local capacity and improving quality in products, services and processes– through training local consultants, accreditation of testing and calibration laboratories in ISO/IEC 17025, and certification of products, services and processes in standards such as HACCP food safety systems and the other standards mentioned above. Activities related to HACCP are closely coordinated with those of SPS. Activities have also been targeted towards small women-owned firms to provide certification in GMP (good manufacturing practices). Accreditation and certification are long term-processes which were begun under TCBS and are expected to be completed under the MIDAS Policy Component.

One of the first component activities completed was a study to propose activities to develop a metrology system conforming to international standards so that domestic measurements and calibrations would correspond to international standards of weights and measures. This involved carrying out a cost benefit analysis to determine the optimal structure of the system and providing support to the Superintendency of Commerce and Industry, charged with maintaining primary standards and providing metrology services.

Drafts of the Quality CONPES and the Quality Law have been provided for the DNP (National Planning Department). The CONPES document includes an evaluation of the current status of the national quality system including standardization strategies for setting up a national quality system and specific recommendations. It addresses areas of institutional restructuring, organization and coordination of technical rules, participation in forums on international standards, a national system of accreditation harmonized with international standards, implementing a policy to designate conformity assessment organizations when none exist to perform a needed function, setting up a national institute of metrology with international recognition, oversight and control of consumer protection, and coordination of a mandatory system to guarantee quality and attention to health in the Ministry of Social Protection. The purpose of the Quality Law is to lay out an overall quality system that coordinates and unifies the systems

of standards, accreditation and certification, specifically setting up an institution dedicated to metrology. This involves several ministries restructuring to meet the new requirements of the system.

### *Training Provided Under TBT*

Training has been carried out both to increase public and private sector awareness about the importance of standards, certification and accreditation, and to present concepts to private sector firms as part of the certification process. Training has been targeted to the following sectors: food and food processing (Kosher, HACCP), software (CMMI), textiles and apparel (WRAP), small businesses in GMP, laboratories in ISO 17025, and auto parts in TS16949.

<b>Title of Training</b>	<b>Purpose</b>	<b>Date</b>	<b>Location</b>	<b>Participants</b>
Presentation on Project to representatives from chambers of commerce at International Trade Conference	Present overview of project and the importance of certification and accreditation	July 2005	Desquebradas (outside Pereira)	150
Agro-Industry Best Practices to Access New Markets	Training in issues related to regulatory structure, standardization and conformity assessment in the agro-industry sector including international standards and certifications necessary to access other markets such as the U.S.	Aug 18-19, 2005	Bogotá	370 people from 270 organizations, about half from private sector and half from GoC
CMMI Software training	Training for consultants and companies related to software standards and certification	Sept 9-12 and 12-14, 2005		46 representatives from software companies and foundations including 8 consultants
ISO 17025 Standards – Accreditation of Testing and Calibration Labs	Training for consultants on the requirements to obtain the standard ISO 17025, the importance of laboratory quality and the processes necessary for accreditation	Oct 30 - Nov 4, 2005	Girardot	25 including 1 representative from the Ministry of Trade
HACCP Standards to address food safety	Training for consultants focused on adopting good management practices (GMPs) to implement and receive certification in HACCP. Presentations and workshops provided consultants with tools to implement HACCP	Nov 14-18, 2005	Girardot	22 consultants from all over Colombia, 2 from SENA, 1 from Ministry of Trade

Title of Training	Purpose	Date	Location	Participants
Good Manufacturing Practices: Challenges for Accessing International Markets.	Focused on best practices with respect to rules and norms in plastics, auto parts and construction materials industries	Dec 2-3, 2005	Bogotá	80 participants from the 3 sectors of plastics, auto parts and construction materials
WRAP (Worldwide Responsible Apparel Production) Seminar	WRAP is a voluntary and independent certification and seminar presented advantages of certification and elements of the certification process	Feb 7-9, 2006	Bogotá, Medellín, Pereira	182 company representatives. 100 from Bogotá, 50 from Medellín, 32 from Pereira.
Training Video Conferences on ISO10725	Accreditation procedures from the perspective of the Superintendency of Industry and Trade, the Colombian accreditation body.	Feb 10, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Tolima, Norte de Santander, Riseralda, Santander, Bogotá	128 participants, including consultants.
Training Video Conference on ISO10725	Laboratory Accreditation	Feb 16, 2006	Antoquia y Univ. Nac. de Medellín, Atlantico, Boyaca, Tolima, Norte de Santander, Riseralda, Santander, Bogotá	75 participants, including consultants.
Kosher Seminar	Elements and processes and procedures necessary for Kosher certification and how to obtain certification	Feb 13-14, 2006	Medellín	32 representatives from industry, including 2 consultants.
Seminar on Good Manufacturing Practices	Presented by INVIMA on physical and health installations, handling, health conditions, pest control, processing and manufacturing conditions, transport conditions	March 2006	Bogotá	10 participants from 5 companies
Training Video Conferences on ISO10725	Quality Mgmt. Systems ISO9001:2000	Mar 6, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Tolima, Riseralda, Santander, Bogotá, Caldas	70 participants including consultants.
Training Video Conferences on ISO10725	Metrology Mgmt.	Mar 31, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Tolima, Santander, Bogotá, Magdallena, Valle	66 participants including consultants.
Training Video Conferences on ISO10725	Masses and Balances	April 20, 2006	Antoquia y Univ. Nac. de Medellín, Atlantico, Boyaca, Tolima, Riseralda, Santander, Bogotá, Caldas, Valle	100 participants including consultants.

Title of Training	Purpose	Date	Location	Participants
Training Video Conferences on ISO10725	Frequent problems in accreditation processes	April 28, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Tolima, Norte de Santander, Risaralda, Bogotá, Caldas, Valle	64 participants including consultants.
Seminar on TS 16949 Standard	This 40 hour seminar presented standards and themes related to certification 16949 for auto and auto parts industries	April 24 -28, 2006	Bogotá	6 national and 2 local consultants from Bogotá (2), Medellín (3), and Bucaramanga (3)
Good Manufacturing Practices in the Textiles and Apparel Sector: Challenges for Accessing International Markets	Explained importance of proper labeling, quality, fabric control and certification. Company-specific issues discussed.	May 3-4, 2006	Medellín	120 participants
Training Video Conferences on ISO10725	Temperature	May 19, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Tolima, Risaralda, Santander, Bogotá, Caldas	70 participants including consultants.
Presentation of certification programs at the Feria de la Mujer Epresarial	Presented essential standards for meeting certification requirements	June 2006	Bogotá	400
Training video conferences on ISO10725 Standards	Measurement uncertainty	June 16, 2006	Antoquia y Univ. Nac. de Medellín, Risaralda, Santander, Bogotá,	53 participants including consultants.
Seminar on Good Manufacturing Practices	Presented by INVIMA on physical and sanitary installations, health conditions, pest control, conditions for manufacturing, processing and transport.	June 2006	Bogotá Medellin	10 participants, 5 companies 5 companies
Training video conferences on ISO10725 Standards	Internal Audits	July 7, 2006	Antoquia y Univ. Nac. de Medellín, Boyaca, Risaralda, Bogotá	32 participants including consultants.

### Results and Accomplishments of TBT Component

Metrology – strengthened the national legal division within the Superintendency of Commerce and Industry charged with maintaining primary standards and providing metrology services.

Provided comments and recommendations for a CONPES Document on Quality and for a draft Quality decree

Carried out an analysis of the Colombian accreditation system and made recommendations for institutional reforms which fed into a CONPES document.

## 2.5 Tax Benchmarking

Project consultants collaborated with counterparts from the Colombian American Chamber of Commerce and the Ministry of Trade, Industry, and Tourism to undertake an analysis which compared Colombia's level of taxation to that of other Latin American countries. Levels of taxation on business were calculated by sector and included in a benchmarking report which analyzed the effects of the current system on the country's productive competitiveness and its ability to attract foreign investment. The main findings suggest that Colombian income tax tariffs are higher than those in the region and in other competing countries and this has negatively affected private investments, especially those related to machinery and equipment. Accordingly, an increase of 1 percent in the income tax rate reduces investment in fixed assets by .7 percent, which includes a 1 percent reduction for investment in machinery and equipment. Tax bases for both income tax and VAT were found to be very weak, well below the Latin American average because of the existence of numerous exemptions and exclusions. The report was written to complement the Investment Climate Report and to provide a non-technical explanation of the disadvantages created by an inefficient income tax structure and the burdens created by non-wage taxes on investment and the employment rate.

Results and Accomplishments of Tax Benchmarking Component
Comparative Latin American country report on tax regimes, this report presents tax collection data by sector and the impact of tax rates on investment. It has been used to guide reforms in the Ministry of Finance and for background by the Congress for tax reform.
Workshops were held at the request of the Colombian American Chamber of Commerce to discuss results of study.

## 2.6 Securities

Activities under the Securities Component provided support to the GoC on several fronts: support for the creation and subsequent strengthening of the new Financial Superintendency; options for supervising participant agencies in the securities market; abusive market practices and supervisory practices to prevent them; implementing investigations and applying penalties. Support for increasing market access to financial markets was provided by supporting the government's Opportunities Banking Policy and by undertaking a study on the use of electronic access (ATMs and internet payments) to banking.

The merger process, through which the Banking Superintendency merged with the Securities and Exchange Superintendency to form the new Financial Superintendency was supported by experts in mergers who provided options for carrying out the process and collaborated with the Ministry of Finance and Public Credit to help draft appropriate decrees (4327, 4328, and 4329) and CONPES 3399. Managers of the new Superintendency participated in a workshop designed to formalize a strategic plan.

To strengthen the securities market, critical to private sector financing and enterprise development, support was provided on the topics of regulation, identification and control of abusive practices and investigations and penalty procedures. A report entitled "Self-regulation and Internal Controls" recommended the creation of an independent regulator to supervise participant agencies in the securities and defining the characteristics of a self regulatory body appropriate for a decree. A subsequent study on setting up a self-regulation model complemented the previous findings and confirmed its recommendations. Other consultants produced a report on privileged information and abusive market practices such as the manipulation of prices with recommendations to systematize supervisory actions to identify potentially abusive actions. Lawyers in the Superintendency were trained using the case method on investigations and penalty procedures in the securities market.

An additional objective under this component was to expand market access. During the fifth quarter of the project, the GoC began an initiative, Opportunity Banking, to increase the availability and use of financial services for lower economic groups and those isolated in regions without access to banking facilities. Project activities provided initial reports on current use of the formal financial system which provided a justification for this policy and support has continued under MIDAS. The development of electronic payments in a country with low access to financial services is important because it facilitates payments in rural and traditionally under-served areas and increases security by reducing the need to utilize cash for payments and other transactions. To promote the development of electronic banking, a report was prepared (by consultants contracted by TSG's partner, Fedesarrollo) with policy recommendations that analyzed regulatory alternatives that would also encourage competition.

Results and Accomplishments from the Securities Component
Supported the merger of the Superintendency of Securities and Exchange with the Banking Superintendency into the new Financial Superintendency by drafting decrees 4327, 4328, 4329, 4757, 4765, 4354, and 4639.
Provided background material and assistance to the DNP in the drafting of a CONPES Document which supports a new policy, <i>Banca de las Oportunidades</i> , to expand access to micro finance.
Provided input into a draft decree which regulates credit provided by non-banking correspondents and create the <i>Banca de las Oportunidades</i> Investment Program, to expand access to financial services in areas where there are no banks
Capital Markets Self-Regulatory Agency – provided assistance to guide the design of the agency and drafted a Memorandum of Understanding between the Agency and the Financial Superintendency to allocate regulatory oversight functions and requirements between these two institutions. Assisted with Self-Regulatory Decree 1565 (May 2006.)
Low Amounts Accounts Law – provided background information for draft bill under discussion.
Provided input on new financial supervision norm requesting credit card issuers and financial institutions to improve transparency of credit card commissions and transaction costs.
Assistance has been provided under the Securities Component to strengthen the capacity of the Financial Superintendency and improve its integration of securities and banking surveillance responsibilities.
Provided recommendations to the Finance Ministry for reforming the financial system.

## 2.7 Investment

Attracting Foreign Direct Investment (FDI) to Colombia became a crucial responsibility for PROEXPORT, Colombia's investment promotion agency, after it merged with CONVERTIR. Accordingly, activities were directed at helping PROEXPORT to develop its investment promotion strategy by examining factors which determine its competitiveness, including the corresponding legal and regulatory framework and providing recommendations for improvement. An extensive report was produced which focused on the capacity of Colombia to attract FDI by identifying factors which determine capacity, the current situation in Colombia with respect to those determinants and to other countries competing for FDI and how to close the gap between current capacity and desired capacity. The report was divided into four sections: 1) Investment Promotion Strategy; 2) Investment Benchmark Analysis; 3) Analysis of Strategic Sectors; 4) Institutional Strengthening and Regulatory and Administrative Review. AT Kearney provided crucial input to Part 3, Analysis of Strategic Sectors, and to the development of a strategy to disseminate the results of the report. The investment component was concluded with the delivery of the report in October 2005 (fourth quarter of the project). It is now being used by PROEXPORT as the basis for its FDI strategy.

Results and Accomplishments under the Investment Component
PROEXPORT reformed its strategy to promote and attract foreign investment using as the basis, the investment climate report produced under the project.

## 2.8 Modeling of Demand for Transportation Infrastructure

Effective response to opportunities provided by an FTA includes investment in transport services to increase firm competitiveness and improve the availability of services used intensively across the entire economy. The purpose of this component was to provide a tool to facilitate modeling different combinations of logistics infrastructure development which would be needed to handle expected increased trade flows. The model developed under this component used inputs from a data base of real regional and sector transportation costs so that a network system could be designed to evaluate investments in infrastructure and optimal allocation. The model was given to the DNP and used as support to evaluate different regional infrastructure projects during the Internal Agenda process. This evaluation of the impact, feasibility, costs/benefits of each infrastructure project is currently being used to guide national budget investment decisions.

### Results and Accomplishments under the Modeling of Demand for Transportation

A study on the impact, feasibility, cost-benefit of infrastructure projects to guide investment decisions was provided to the National Planning Department.

## 2.9 Sanitary and Phyto-Sanitary Standards

To promote the competitiveness of agricultural products and improve safety, this component provides assistance to key Colombian public and private sector institutions to develop and implement improved sanitary and phyto-sanitary practices norms that are consistent with U.S. standards and best practices. Component activities covered setting up an SPS information system, strengthening the Colombian meat inspection and certification system, strengthening the Colombian milk and dairy inspection and certification system, implementing Good Agricultural Practices and responsible use of pesticides, achieving pesticide registration for minor crops, working in low prevalence areas for pest control and using a systems approach, strengthening the inspection and control system for processed foods, strengthening institutional capacity using CONPES 3375 (sanitary) and CONPES 3376 (dairy and meat guidelines) issued in October 2005.

Activities provided input for the SPS Sanitary CONPES 3375 and the Dairy and Meat CONPES 3376 both issued in October 2005. These CONPES documents established a national food safety policy based on WTO directives and provided guidelines and a timeframe for their implementation. TCBS provided input and support in drafting a decree creating the National SPS Council. The CONPES document for the pork sector was also drafted in August 2006. Comments for a decree on the milk and dairy sector were provided during the fourth quarter of the project and the SPS Dairy Decree 616 was issued on February 28, 2006. SPS Milk and Dairy Inspection Acts regulating the decree were issued on July 14, 2006 and a report with recommendations for reforms has been submitted by project consultants. A number of reports were prepared to guide the drafting of the meat legislation reform to assure the consistency of Colombian SPS standards with international norms and best practices. Other recommendations proposed the institutional layout for national meat and milk/dairy safety programs in collaboration with INVIMA, ICA, the Ministry of Social Protection and other national agencies. A new meat decree was released for public discussion in August 2006. A program for certification of milk products according to PMO (pasteurized milk ordinance) specifications was sponsored. A milk and dairy inspection process is being developed with corresponding manuals. These activities are being continued under the MIDAS Policy Component.

The SPS component provided assistance in developing an information tracking system. It tracks US/Colombian SPS measures and process approval information and incorporates the step by step procedures and requirements for APHIS pre-approval of animal products, FSIS recognition of equivalence and EPS pesticide registration. A user's manual to guide this computer-based tracking system was also prepared.

Preliminary work on the sub-components of Good Agricultural Practices (GAP), Minor Crops, Low Prevalence Areas, and Processed Foods also began under TCBS and is being continued under the MIDAS Policy Component.

Results and Accomplishments under the SPS Component
Provided input into CONPES 3375, which established national food safety policy based upon WTO directives with corresponding guidelines and timeframe. Provided input to CONPES 3376, which formulated meat and dairy policies and Dairy Decree 616.
Provided training on FDA regulations and equivalence recognition regulations for the Information System Activity, training on PMO for the dairy sector, on transitioning to reduced risk crop protection for specialty crop growers and on U.S. meat regulations.
Developed and delivered a computer-based information system for use by the GoC and private sector to track SPS approval requests processed by U.S. sanitary and phyto-sanitary authorities.
Coordinated extensively with USDA, APHIS and other USG agencies on product approval requests process facilitation.

## 2.10 Tax Policy

Over time trade integration is expected to result in the loss of tariff revenue to the GoC. Accordingly, a non-distortive tax policy framework to support economic competitiveness within a liberalized trade policy setting is critical for stable fiscal performance. During the third quarter of TCBS the GoC requested support to review the option of a Tax Policy Directorate within the Ministry of Finance which would have the capacity to analyze and establish national and regional tax policy and priorities including personal and corporate income taxation, VAT and excise taxation, customs tariffs, property taxation and other revenue-raising mechanisms. Staff in the Directorate would have the capacity to evaluate current revenue generation, effective and integrated tax administration strategies and programs covering all major tax instruments, and an effective policy to provide advisory guidance to the MoF.

A report was presented which reviewed and assessed the current process of tax policy making and administration, the existing revenue forecasting capabilities of staff, and a proposed institutional structure and staffing for a new policy unit, including job descriptions and examples of data requirements for the unit. The report also included examples of tax analysis models, recommended training and the institutional set-ups of tax policy directorates in other countries.

In May 2006 the tax policy component was revived and a recognized expert, George Zodrow, was invited to provide support to a tax reform team in DIAN and the MoF and analyze tax reform scenarios submitted by the team. He discussed reform options with staff from various GoC agencies and submitted a report, which included an analysis of the current tax system and comments on proposals on potential flat tax reforms. He presented alternative approaches based on experiences in other countries. Subsequent activities under the Tax Policy Component have been financed by MIDAS.

Accomplishments and Results under Tax Policy Component
Reports prepared which are guiding Colombian tax policy team recommendations.

## 2.11 Telecommunications

Activities under this component dealt with assessing the current licensing regime in Colombia for long-distance-voice services, spectrum allocation and broadband policies and regulations. Alternatives were proposed for existing policies and legislation. These activities supported the GoC's Connectivity Agenda which encourages greater competition and public and private sector use of information and communications technology, especially outside urban areas.

Support was provided to assess the current licensing regime on both spectrum and existing broadband policies and regulatory approach to wired and wireless networks, analyzing how current policy affects the use of broadband and prices for different broadband speeds and comparing them to prices, users and service reliability in other Latin American countries. A review was presented on best international practices in regulation of wired and wireless broadband and spectrum licensing policies and procedures to promote greater broadband access. Policy for unlicensed services, including WiFi, WiMax, satellite-based broadband IP service and Power Line Communication was also assessed and strategies were suggested for providing internet access in underserved areas.

Information generated from these analyses was used to systematically lay out objectives for universal service and how it will be funded. Resolution 1449, a new regulation on WiMax and spectrum allocation, was issued June 13, 2006. It describes measures adopted for the efficient use of spectrum allocation and explains how licensing will occur under the new regime and how bands will be assigned in the various departments.

#### **Results and Accomplishments under the Telecommunications Component**

Information from reports on spectrum licensing and allocation policies fed into Resolution 1449 which lays out measures for spectrum allocation, licensing and assigning bands in departments throughout Colombia.

### 2.12 Technical Cooperation Strategy

Under this short component, support was provided to the Ministry of Trade, Industry and Tourism to pull together a new working draft of a national strategy to build trade capacity and harmonize donor assistance. This task followed suggestions of the Working Group on Smaller Economies during 2003 FTAA negotiations and these were expected to facilitate access to the Hemispheric Cooperation Fund. The existing strategy and assistance being provided by various donors were reviewed. A report laid out technical assistance being provided by donors and made recommendations for new technical assistance needs as well as providing recommendations to improve the current strategy.

#### **Results and Accomplishments under the Tech. Cooperation Strategy Component**

A draft national strategy to build trade capacity and harmonize donor assistance was developed for the Ministry of Trade, Industry and Tourism.

### 2.13 Services Statistics

Services statistics activities are focused on developing a comprehensive survey to measure service sector activity in employment, output and international trade to complement ongoing national accounts surveys and statistics. Conforming with current survey administration frequency, sector service surveys are administered both quarterly and annually with appropriate formats for questions, requested information and samples which are stratified by size, location and industry. Improving the capacity of GoC agencies, namely the Departamento Administrativo Nacional de Estadísticas (DANE) to effectively gather and manage information related to services output and trade is expected to result in better promotion of employment and income generation benefits associated with a free trade agreement.

Activities under this component provided support for survey design and implementation including questionnaires, data collection and processing tools as well as output charts and tables. Recommendations were provided on training surveyors and unifying and updating existing registers of services.

#### Results and Accomplishments under the Services Statistics Component

Strengthened the Departamento Administrativo Nacional de Estadísticas (DANE) by supporting the design and implementation of quarterly and annual services statistics surveys, including tools for capturing and processing data. A quarterly pilot survey was successfully carried out.

### 2.14 Professional Services Standards

To mitigate barriers to effective market access for services and service providers in the engineering and architecture areas, activities in this component are aimed at harmonizing the Colombian licensure standards for professionals in these areas with licensing requirements and standards in the U.S. International best practices in licensing and oversight of the architectural and engineering professions were identified along with regulatory requirements for licensure in selected U.S. states. Recommendations on adopting best practices and licensing requirements consistent with those in the U.S., were presented to Colombian professional councils (*consejos*), project counterparts, charged with the oversight of these professions.

#### Results and Accomplishments under the Professional Services Stds Component

Strengthened the professional councils in charge of licensure and oversight of the engineering and architectural professions by providing recommendations to incorporate international best practices and U.S. compatible licensure and procedures. This is expected to facilitate the development of mutual recognition agreements with the U.S.

### 2.15 Competitiveness

Project consultants carrying out activities under this component, which was introduced during the fifth quarter of the project, have worked closely with counterparts on the National Council of Economic and Social Policy in the National Planning Department including the President's High Advisor on Competitiveness. Institutional reform initiatives are coordinated and reforms in an integrated agenda are set as priorities to promote competitiveness and trade capacity building so that Colombia can fully receive the benefits from an FTA. Activities include working with the DNP to develop an outreach strategy for building consensus with key private sector leaders on the reform agenda. These reforms are cross-cutting because they cover a number of sectors and accordingly, consultants from other components collaborate with the competitiveness leader to develop comments and input into the policy documents.

Products under this component include documents produced for the National Council of Economic and Social Policy, the equivalent of white papers on specific areas. These become the basis for policy and its implementation. A document includes a brief assessment of the current situation, strategies for carrying out the new policy and specific recommendations on who should carry it out and how. A number of CONPES documents have been issued or are expected shortly in the areas of SPS (Sanitary and Meat and Dairy), securities (Opportunity Banking to increase access to financial services for lower income groups and vulnerable and isolated populations), intellectual property rights, foreign investment, competition and productivity, including a competition/antitrust law and a national quality system. These activities are being continued by the MPC.

#### Results and Accomplishments under the Competitiveness Component

Collaboration with the DNP to develop an outreach strategy to build consensus for an agenda of administrative reforms to increase competitiveness. Provided input into CONPES documents dealing with SPS (Sanitary and Meat and Dairy), securities (Opportunity Banking), intellectual property rights, foreign investment, competition and productivity including a competition/antitrust law and a national quality system.

## 2.16 Arbitration

To take advantage of opportunities provided by an FTA, it is critical to have a legal and regulatory environment and government capacity to uphold core investor rights and reduce the likelihood of investor-state disputes. Investor-State disputes tend to be costly and time consuming when there is not an efficient mechanism for handling them. Accordingly, an effective arbitration system is key to upholding investor rights. Support was provided to review the existing Colombian regulation on arbitration and to recommend reforms to increase the effectiveness and appeal of the arbitration process as an alternative to penal or civil legal actions based on a review of international best practices. The Ministry of Trade wrote a draft law with project input on an arbitration process which permits and encourages the use of international arbitration bodies to resolve domestic disputes. Other activities identified in the component work plan included designing and setting up an independent unit that will be trained to track legislative, regulatory and administrative activity at the national, regional and local levels to identify areas of potential risk of violation of investor rights. These activities are to continue with support under the MPC.

### Results and Accomplishments under the Arbitration Component

Provided assistance to the Ministry of Trade on the draft of a new arbitration law including the introduction and the process to use international dispute settlement mechanisms.
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## 2.17 Intellectual Property Rights

An effective system of intellectual property rights (IPR) enhances innovation and promotes private investment and competitiveness and is an important element of complying with norms of an FTA. Supporting intellectual property rights includes maintaining an updated unified data base registry with information holders of copyrights and contracts as well as the capacity of government agencies to examine, review, implement consultation processes, award patents and trademarks and provide enforcement.

Support was provided on several fronts. First, assistance to the National Copyrights Directorate facilitated updating the electronic on-line registry. Second, activities under this component were closely coordinated with those under customs to improve border enforcement measures as a number of related agencies worked together including some from the Office of the Prosecutor (e.g. the National Unit for Crimes against Intellectual Property Rights and Telecommunications) and the Directorate for Taxes and Customs (DIAN). A decree was drafted to implement multilateral and bilateral agreements and the FTA provisions related to enforcement of border measures to protect intellectual property rights. Information on owners of IPR was collected and included in the information system to facilitate proper border enforcement. Feedback from IPR owners was also collected on enforcement measures. Finally, comments were provided for a preliminary CONPES document setting the basis for policy on intellectual property rights. Further work in this area is to take place under the MPC.

### Results and Accomplishments under the Intellectual Property Rights Component

National Copyrights Directorate was strengthened to provide updated registry used in enforcement of borders.
Provided staff training to DIAN, the Office of the Prosecutor General and other agencies on enforcement of border measures to protect intellectual property rights.
Provided comments on a preliminary draft CONPES on IPR

## 2.18 Energy Sector Support

Promoting effective competition and universal coverage in infrastructure has been identified by the GoC as a priority to promote development and increase firm competitiveness by improving the availability of services, thereby encouraging effective response to the FTA. Strengthening regulatory agencies is expected to increase investment in energy and power services both from local and international firms and result in reliable and cost-effective energy services. Retail competition is being encouraged through free access to power grids and the right of public utility users to freely choose their service providers and by fostering competition among producers and retailers. Universal service refers to providing affordable, subsidized electric power to low income users.

Strengthening technical capacity of the Energy and Gas Regulatory Commission (CREG) and the Superintendencia de Servicios Públicos Domiciliarios (SSPD) also encourages the adoption of best practices to promote and preserve competition. CREG is being advised on encouraging competition and attracting investments through auctions in firm energy. Promoting partnerships between key Colombian energy sector regulatory institutions and the United States Energy Association was a mechanism for institutional strengthening.

Analytical assessments were presented on several related topics: 1) the current system for providing and financing electric power including potential reforms; 2) international experience from universal access programs; 3) the Colombian legal framework as it relates to retail competition and universal service; 4) retail distribution. These reports included drafts of the retail competition decree and the energy universal access decree. This work will be continued under the MCP. Representatives from CREG and other power companies visited the U.S. and met with officials from the Edison Electric Institute, Federal Energy Regulation Commission, Potomac Electric Power Company, PJM Interconnection, Electric Power Supply Association, New York Independent System Operator and the New York Department of Public Service.

<b>Results and Accomplishments under the Energy Component</b>
Work provided strengthened CREG's ability to undertake a reform agenda to increase retail competition and provide universal service.
CREG officials met with officials from the Edison Electric Institute, Federal Energy Regulation Commission, U.S. Trade and Development Commission, Potomac Electric Power, PJM Interconnection, NY Independent System Operator and NY Department of Public Service to learn about market regulation and coordinate activities.

### III. CONCLUSIONS AND LESSONS LEARNED

- 3.1 The ability of project personnel to quickly design activities to respond and adjust to priorities of the GoC as they developed was critical and this facilitated accomplishing much more than if the project had been designed to adhere to a rigid schedule of activities. The designers of the project recognized that this would be the case and wisely described components as “illustrative” rather than “definitive”. Some of the most long-lasting achievements that were begun under this project, such as tax reform, may not have happened in a more narrowly defined project. Accordingly, it was very important to have access to the best experts, both local and international, with appropriate knowledge of systems and issues in Colombia, so that they could rapidly and effectively respond to initiatives.
- 3.2 The motivation of the GoC to undertake broad reforms in a number of sectors contributed to the impact of the project and made it more encompassing than that of similar projects designed to support free trade agreements. For example, activities included support for significant financial sector reforms to develop surveillance and oversight of the securities market, support the new Financial Superintendency, as well as increased access to financial services for lower income groups and those in isolated areas. USAID and the GoC shared the understanding that many of these sector specific reforms were critical to increase competitiveness and facilitate response to opportunities presented by a free trade agreement and integration into the global markets over the long term.
- 3.3 Laws and decrees contribute to the sustainability of the reforms supported by project activities, and accordingly, discussing drafts, incorporating feedback and building consensus support were critical elements of the project. Having access to skilled legal local experts was very important as their familiarity with the Colombian legal environment contributed to their ability to rapidly draft required laws and decrees.
- 3.4 Having qualified economists both on the USAID side and as COP of the project with access to appropriate GoC officials, productively moved ahead the reform agenda because they were viewed by the GoC as advisors with whom proposals could be discussed and then prioritized and because they were knowledgeable about the most appropriate experts to provide support. A local COP provided access to GoC officials and local expertise that may not have been available to an expatriate. Access to local experts permitted cost effective implementation of a large number of activities in short timeframes and “Colombianization” of results.
- 3.5 In a complicated project with many components, sound administrative management is as critical as having people with skilled technical competence.
- 3.6 The alternative development context of assistance under *Plan Colombia*, resulted in more resources being available than would otherwise have been the case, and this created a capacity to provide more support for crucial reforms.
- 3.7 Having the Policy Component of the MIDAS Project pick up some of the activities begun under the TCBS Project was useful for a far reaching reform agenda. Two years were not sufficient to carry out significant cross-cutting reforms in multiple sectors. Accordingly, a number of activities which began under TCBS are expected to be completed under MIDAS.

## Annex A – CONTRACT DELIVERABLES

Deliverable	Results/Comments
<p>At least five significant trade capacity building-related policy/regulatory reform actions effectively formulated and carried out in sectoral areas jointly agreed upon by USAID and the GOC. <b>January 05 – Dec. 05</b></p> <p><i>Note on 2005 Trade Capacity Policy and Regulatory Reform Deliverables:</i> Progress in 2005 was limited by external factors such as the FTA negotiations, the political reform process, and the reelection campaign that created an environment that was not conducive to legal and regulatory reforms. However, technical work delivered in 2005 to government agencies has been crucial to the adoption of critical reforms in second quarter of 2006 and introduction of critical reform bills to Congress in July 2006. These significant trade capacity building-related reforms are detailed in subsequent sections of this report.</p>	<ol style="list-style-type: none"> <li>1) Securities - assisted with drafting decrees (4327, 4328, 4329, 4757, 4765, 4354, and 4639) and building capacity to facilitate the merger of the Superintendency of Securities and Exchange with the Banking Superintendency into the new Financial Superintendency. 4<sup>th</sup>-5<sup>th</sup> qtrs.</li> <li>2) Customs – delivered to DIAN a draft of the decree adopting simultaneous inspection of cargo by Customs, Narcotics Police, and Agricultural and Health Protection Services. 4<sup>th</sup> Quarter 2005.</li> <li>3) SPS – Dairy and Meat CONPES 3376 formulated policy October 2005; Dairy Decree 616 Feb. 28, 2006; Meat – unsatisfactory decree stopped – new decree expected later this year. CONPES 3375 established national food safety policy based upon WTO directives and provides guidelines and implementation timeframe.</li> </ol>
<p>At least two significant trade capacity building-related institutional strengthening initiatives effectively formulated and implementation initiated in sectoral areas jointly agreed upon by USAID and the GOC. <b>Jan. 05 – Dec. 05</b></p>	<ol style="list-style-type: none"> <li>1) Provided assistance in setting up the Customs Risk analysis system, improving system compliance with FTA requirements - begun in 2<sup>nd</sup> qtr 05.</li> <li>2) Labor - Strengthened Ministry of Social Protection to do market forecasting, monitor labor markets; 4<sup>th</sup> qtr</li> <li>3) Investment Climate – ProExport reformed its strategy to promote and attract foreign investment following the investment climate report produced by the project. 4<sup>th</sup> qtr</li> <li>4) TBT – Metrology – strengthened the national legal division within the Superintendency of Commerce and Industry charged with maintaining primary standards and providing metrology services. August 2005.</li> <li>5) Supported the Congress of Colombia in developing an agenda for internal reform that was discussed with civil society in 6 regional forums and presented to the President. July 2005</li> </ol>

Deliverable	Results/Comments
<p>At least five additional significant trade capacity building-related policy/regulatory reform actions effectively formulated and carried out in sectoral areas jointly agreed upon by USAID and the GOC. <b>Jan. 06-Sept. 06</b></p>	<ol style="list-style-type: none"> <li>1) Telecommunications – A report on spectrum licensing and allocation policies provided support for the implementation of new WiMax and spectrum allocation. 5<sup>th</sup> Quarter. Resolution 1449 on June 23, 2006.</li> <li>2) Securities – Provided assistance in the drafting of a CONPES for a new Banca de las Oportunidades policy to support access to micro finance. Delivered draft decree regulating credit provided by financial institutions through correspondents.</li> <li>3) Capital Markets Self-Regulatory Agency decree 1565 of May 19, 2006. Provided assistance to guide the design of the self-regulatory agency and drafted the Memorandum of Understanding between the self Regulatory Agency and the Financial Superintendency to allocate regulatory and oversight functions and reporting requirements between these two institutions. Issued July 28, 2006.</li> <li>4) Provided assistance in drafting a decree governing financial/credit services (included in Basic Circular of the Financial Superintendency) through non-banking entities to promote micro-finance.</li> <li>5) Low Amounts Accounts Law. Draft bill under discussion. September 2006.</li> <li>6) Financial Superintendency will announce quarterly the maximum interest rate that banks can charge – higher interest rates are expected to favor lending to SMEs and MEs. October 1, 2006.</li> <li>7) New financial supervision norm requesting credit card issuers and financial institutions to improve transparency of credit card commissions and transaction costs.</li> <li>8) Intellectual Property - Provided a draft Manual of Origin Verification under FTA to Customs (DIAN) and trained Customs staff on Rules of Origin; 5<sup>th</sup> qtr. Provided recommendations for new decree. Preliminary draft of CONPES issued and comments received July 2006</li> <li>9) TBT – provided input to the Ministry of Trade and National Planning Department to draft a new quality CONPES document and a quality law.</li> <li>10) Arbitration – provided assistance to the Ministry of Trade on the draft of a new arbitration law including the introduction and process designed to use international dispute settlement mechanisms. 5<sup>th</sup> qtr.</li> <li>11) Intellectual Property – Comments provided on preliminary draft of CONPES dealing with intellectual property rights – 7<sup>th</sup> qtr.</li> <li>12) Competitiveness – provided assistance in drafting a CONPES document on competition and productivity and a draft law.</li> </ol>

Deliverable	Results/Comments
<p>At least two additional significant trade capacity building-related institutional strengthening initiatives effectively formulated and implementation initiated in sectoral areas jointly agreed upon by USAID and the GOC. <b>June 05-Dec. 06</b></p>	<ol style="list-style-type: none"> <li>1) The Services Statistics component supports Dept. Adm. Nac. de Estadísticas (DANE) by designing a register for service sector surveys, providing TA in design of surveys and is currently implementing a quarterly survey pilot. 4<sup>th</sup> qtr.-6<sup>th</sup> qtr.</li> <li>2) Professional Services Component supports the Comisión Nacional de Aseguramiento de la Calidad de la Educación Superior in the Ministry of Education and providing assistance in licensing and oversight to professional associations in architecture and engineering. 3<sup>rd</sup> qtr. – 6<sup>th</sup> qtr.</li> <li>3) Customs Administration is being strengthened to more adequately enforce border measures to protect intellectual property rights. 6<sup>th</sup> – 7<sup>th</sup> qtr.</li> <li>4) The National Copyrights Director is being strengthened to deal with intellectual property issues through September 2006.</li> <li>5) The Financial Services Component has been providing assistance to strengthen the capacity of the Financial Superintendency and improve its integration of securities and banking surveillance responsibilities.</li> <li>6) Modeling – National Planning Dept. provided with a study on the impact, feasibility, cost-benefit of infrastructure projects which guides its investment decisions. 5<sup>th</sup> Qtr</li> <li>7) Competitiveness Component – collaboration with DNP to develop an outreach strategy to build consensus for an agenda of institutional reforms to increase competitiveness. 5<sup>th</sup> qtr.</li> <li>8) TBT- Accreditation – Carried out an analysis of the Colombian accreditation system and made recommendations for institutional reforms which fed into the final draft of the CONPES. 6<sup>th</sup> qtr.</li> <li>9) Investment – Provided technical support for the Foreign Investment Liberalization CONPES 3429 issued June 13, 2006.</li> </ol>

Deliverable	Results/Comments
<p>A minimum of 15 targeted seminars/training exercises for relevant public and private sector audiences related to core trade capacity building themes being addressed through technical support activities effectively designed and carried out. <b>Jan 05-Dec.06</b></p>	<ol style="list-style-type: none"> <li>1) Tax Benchmarking – 2 workshops at request of Col.AmCham &amp; Confecamaras to discuss results of tax study 1<sup>st</sup> qtr</li> <li>2) Senate FTA Seminars in 2 cities (2<sup>nd</sup> qtr)</li> <li>3) Labor - Course in Labor Economics Theory (4<sup>th</sup> qtr)</li> <li>4) Labor – Course on Household Surveys Content and Methodology</li> <li>5) Labor – 2 STATA courses for Min. of Soc. Prot. &amp; SENA 4<sup>th</sup> qtr. 1 STATA course 5<sup>th</sup> qtr</li> <li>6) TBT – Presentation on project to representatives of chambers of commerce at international trade conference. July 2005.</li> <li>7) TBT – Seminar on construction materials, plastics &amp; auto parts for public private sector completed</li> <li>8) TBT – Seminar for the food sectors: oils and fats, fruits and vegetables and dairy products completed</li> <li>9) TBT – Seminar for the textiles and apparel sectors completed</li> <li>10) TBT – training seminar for ISO 17025 consultants</li> <li>11) TBT – Training seminar for HACCP consultants</li> <li>12) TBT 4 training seminars have been conducted in Kosher and WRAP standards, 5<sup>th</sup> qtr</li> <li>13) TBT - 4 training video conferences on the ISO17025 program, 5<sup>th</sup> qtr</li> <li>14) TBT - 2 seminars on GMP. 5<sup>th</sup> qtr</li> <li>15) TBT – Seminar for consultants in the TS16949 standard. April 2006</li> <li>16) Presentation of Certification programs at the Feria de la Mujer Empresarial. June 2006.</li> <li>17) Competitiveness program - a forum on Civil Society and FTA was carried out and 8 regional fora on institutional reform requirements are in process.</li> <li>18) Customs: 1 training to DIAN on risk assessment &amp; mgmt strategy; 2 workshops on FTA Rules of Origin</li> <li>19) SPS: 1 seminar on FDA regulations for Information System Project; 1 seminar on Equivalence Recognition regulations for the Information System Project; 1 seminar on PMO for the Dairy sector; 1 seminar on transitioning to reduced risk crop protection for specialty crop growers.</li> <li>20) SPS – Seminar on US meat regulations. July 24-26, 2006.</li> <li>21) Labor: 17 officials from the Ministry of Social Protection trained in the use of household surveys and other databases installed in the Ministry. 7<sup>th</sup> qtr.</li> </ol>

Deliverable	Results/Comments
<p>Effective coordination on the design and implementation of trade capacity building policy/regulatory reform and institutional strengthening activities effectively carried out with relevant donor institutions, USAID implementing partners and USG Agencies. <b>Jan 05 – Sept. 06</b></p>	<ol style="list-style-type: none"> <li>1) Labor – 3 representatives from Ministry of Social Protection trained at Bureau of Labor Statistics in Chicago in Projecting Tomorrow’s Work Force Needs and 1 person on Analyzing Labor Statistics</li> <li>2) The SPS project has coordinated extensively with USDA, APHIS and other USG agencies on product approval requests process facilitation.</li> <li>3) Customs project has coordinated with MUISCA, a IADB-financed institutional strengthening initiative.</li> <li>4) High level CREG officials have met with officials from the Edison Electric Institute, Federal Energy Regulation Commission, US Trade and Development Commission, Potomac Electric Power, PJM Interconnection, NY Independent System Operator and NY Department of Public Service.5<sup>th</sup> qtr</li> </ol>
<p>Development of a rolling quarterly work-plan to define policy/regulatory reform and institutional strengthening and training priorities on an ongoing basis. <b>Jan. 05-Sept. 06</b></p>	<p>A work plan was developed and is updated weekly.</p>

## ANNEX B – TRADE TABLE NOTES SUMMARY

Note 1 – Participation in Negotiations/Implementation of an Agreement – FTA-Related Civil Society Communication Strategy Technical Assistance Program. This note provides for assistance to design and implement a multifaceted civil society outreach program to improve the understanding of the impact and benefits of a free trade agreement.

Note 2 – Participation in Negotiations/Implementation of an Agreement – FTA-Related Civil Society Communication Strategy Technical Assistance Program Design to Improve Journalist Knowledge of the Trade Integration Process. This note provides for assistance to improve media coverage of the FTA process with a targeted information dissemination/training program.

Note 3 – Seizing the New Opportunities Presented By Integration – Investments and Finance – Technical Assistance to Strengthen Capital Markets. This note provides the context for targeted technical cooperation to support the establishment of a rigorous and sustainable securities market monitoring, surveillance, and enforcement system that builds investor confidence in the transparency and operational efficiency of capital markets in Colombia.

Note 4 – Supporting the Effective Transition to Free Trade – FTA-Related Technical Assistance for effective implementation of the International Trade Center’s Interactive Trade Map and Trade Product Program/System. This note supports a request from the Ministry of Trade Industry and Tourism (MTIT) to expand ProExport’s capacity to utilize all of the diagnostic analysis software tools associated with the Trade Map and Trade Product system licensed by the International Trade Center.

Note 5 – Promoting small and medium enterprise competitiveness through the creation or strengthening of linkages within supply chains associated with large “anchor” companies. The purpose of this note is to provide financial and technical support to form vertical supply chains in up to 5 municipal areas to enable SMEs and anchor companies to become more competitive in response to the challenges and opportunities associated with the trade integration process.

Note 6 – Seizing the New Opportunities Presented by Integration – Development of cluster initiatives for SMEs. This initiative suggests that USAID will work with the Colombian Government and with private sector partners (e.g. local chambers of commerce) to promote SME growth through the development of clusters in three or more sectors of metal-mechanics, clothing, leather/footwear, processed foods and graphic design.

Note 7 – Effective Response to the Opportunities Provided by a Free Trade – Improves public sector investment planning and related competitiveness conditions to promote a strong private supply and employment generation in response to the FTA and which promotes civil society dialogue on competitiveness strategy. This note provides assistance to the Ministry of Planning to develop and strategically apply tools to facilitate the identification and prioritization of infrastructure and competitiveness constraints. This includes quantitative and econometric tools to gauge the impact of key infrastructure conditions on regional transport costs, the competitiveness impact of infrastructure and the overall potential impact of alternative public investment strategies.

Note 8 – Seizing the New Opportunities Presented by Integration – Investments and Finance – Development of an SME Risk Capital Fund. The purpose of this note is to support the establishment of a risk capital equity fund to finance SMEs in Colombia.

Note 9 – Effective Implementation of a Free Trade Agreement – Facilitating Improved Compliance/Enforcement of Domestic Labor Law Regulatory Guidelines. This note supports assistance

(including software) to strengthen the capacity of the Ministry of Social Protection to oversee and enforce compliance with labor laws consistent with standards and practices related to worker rights and workplace conditions. This will involve 1) the operation of an improved workplace inspection and information management system designed to promote effective enforcement of child labor laws and regulatory guidelines; 2) the development of core regulatory norms/standards designed to better define minimum workplace health/safety requirements; and 3) target public policy planning, public policy planning, information dissemination and related information management system development to strengthen respect for and compliance with core human/worker rights in the workplace..

Note 10 – Effective Implementation of a Free Trade Agreement – Facilitate Improved Compliance/Enforcement of Domestic Labor Law Regulatory Guidelines. This note supports assistance to develop improved workplace inspection and information systems to promote effective enforcement of child labor laws, the development of core regulatory standards to define minimum workplace safety requirements, and public policy planning, information dissemination and management systems to strengthen respect for and compliance with core human/worker rights in the workplace.

Note 11 – Effective Response to Opportunities Provided by a Free Trade Agreement – Facilitating Improved Labor Market Operations. This note covers support to strengthen the capacity of the Colombian labor market to respond effectively to employment opportunities generated by an FTA and to minimize the transitional social costs associated with shifts in labor market supply and demand conditions resulting from the trade integration process. It supports strengthening the capacity of SENA to develop a analytical and operational framework to estimate future industrial and occupational supply and demand trends at the national and regional levels.

Note 12 – Effective Response to the Opportunities Provided by a Free Trade Agreement – Facilitating Improved Labor Market Operations. It supports developing capacity in SENA to estimate future industrial and occupational supply and demand trends.

Note 13 – Seizing the New Opportunities Presented by Integration – Facilitates SME knowledge of International Procurement Standards/Requirements. This initiative provides the SME sector with a detailed understanding and knowledge of U.S. federal procurement policies and procedures.

Note 14 – Seizing the New Opportunities Presented by Integration – Facilitating SME Knowledge of and Compliance with Critical Technical Norms and Standards. The focus of this initiative will be to provide training and expertise to a core group of business consultants in key industry norms/standards; to build greater private sector awareness of the challenges and opportunities associated with this issue; to build industry compliance capacity in key sectors; and to expand the capacity of both the public and private sectors to effectively define and enforce key industry norms/standards.

Note 15 – Seizing the New Opportunities Presented by Integration – Facilitating Knowledge of and Compliance with Critical Technical Norms and Standards.

Note 16 – Supporting the Effective Transition to Free Trade – This provides for technical assistance for a presentation and site visit to examine the operations/services of the Small Business Administration (SBA) Office in Washington, DC.

Note 17 – Effective Implementation of an FTA – facilitating improved operations of the Colombian Customs Systems. This provides for strengthening compliance capabilities, definition standards, verification, and general inspection procedures. These activities are coordinated with those of MUISCA, the comprehensive customs information systems development program being supported by the World Bank and the Government of Spain.

Note 18 – Effective Adjustment to a Free Trade Agreement/Environment – Facilitating an Improved Tax Policy Framework and Tax Administration System.

Note 19 – Seizing the new Opportunities Presented by Integration – Investment and Finance – Strengthening the abilities of the private equity industry and improving the environment in order to promote the development of an SME Venture Capital Fund and Private Equity Funds.

Note 20 – Effective Response to the Opportunities Provided by a Free Trade Agreement – Improve the capacity of the Colombian agricultural and agribusiness sector to effectively develop and manage information related to agricultural market conditions to help maximize the employment and income generations benefits associated with an FTA. This note provides USAID support to develop a data base and agricultural and agribusiness related market information collation and analysis, software development, database management, and public outreach/dissemination.

Note 21 – Effective Implementation of and Response to the Opportunities Provided by a Free Trade Agreement – This note supports improved public sector understanding of and capacity to improve the climate for private (including foreign) investment by promoting greater legal/regulatory stability of investor rights; development and implementation of a prioritized strategy for lowering the costs for business formation and operation in Colombia; and development and implementation of an improved investment promotion strategy.

Note 22 – Effective Response to Opportunities Provided by an FTA – This note addresses improved capacity of the Colombian financial sector to provide market-based sustainable financing to micro-entrepreneurs in traditionally under-served rural areas; in a manner which will help maximize the employment and income generation benefits associated with an FTA.

Note 23 – Effective Implementation of and Response to the Opportunities Provided by an FTA – This note deals with improved capacity of key Colombian public and private sector institutions to develop and implement improved SPS monitoring and enforcement systems and practices; in a manner which promotes effective compliance with the SPS standards and norms associated with an FTA.

Note 24 – Effective Response to the Opportunities Provided by an FTA – This note deals with developing strategies and policies to encourage greater competition in telecommunications in order to encourage greater deployment of the Internet, particularly broadband services, in areas outside the main metropolitan areas; and to provide related training to key individuals from the public and private sector. This is expected to increase Colombian competitiveness and exports by significantly reducing informational and related business transaction costs.

Note 25 – Effective Response to the Opportunities Provided by a Free Trade Agreement – Improve the capacity of the government agencies to effectively gather and manage information related to services output and trade to help the government promote employment and income generation benefits associated with an FTA. – service sector statistics.

Note 26 – Effective Response to Opportunities Provided by a Free Trade Agreement – This note deals with strengthening the capacity of Colombian regulatory institutions to encourage greater investment in water and transport services, and promote effective competition and universal coverage in other key infrastructure services . This is expected to promote development and increase Colombian productivity and firm competitiveness by improving availability of services used intensively across the entire economy. Modeling of Demand for Transportation Infrastructure, Energy.

Note 27 – Effective Response to the Opportunities provided by a Free Trade Agreement – to strengthen the capacity of Colombian regulatory institutions; promote cross-country electricity trade and encourage investment in these markets. This note deals with energy and supports USAID to provide training to review international best practices for regulation of cross-country electricity trade, mechanisms for international power trading and energy transmission.

Note 28 – Implementation of Response to the Opportunities Provided by a Free Trade Agreement – This note deals with improving the capacity of key Colombian public and private sector institutions to develop and implement improved SPS monitoring and enforcement systems and practices, specifically with meat inspection programs.

Note 29 – Effective Implementation of and Response to the Opportunities Provided by a Free Trade Agreement – This note provides for improving the capacity of key Colombian public institutions to develop a unified registry for patents, trademarks, and other intellectual property rights; strengthen the capacity of government agencies to examine, review, implement consultation processes, and award patents and trademarks; and for improving IPR enforcement practices; in a manner which promotes effective compliance with norms associated with an FTA.

Note 30 – Improving Rural Land Use Incentives Through Property Tax Reform – In order to derive maximum and employment benefits from the trade/investment integration process, Colombia must systematically improve land use incentives and improve the capacity of local government to support the type of infrastructure investments and land use planning programs which will improve agricultural productivity and incomes. This in turn will facilitate the country's capacity to improve agricultural agribusiness competitiveness and expand investment, employment, and output in key agricultural and agribusiness sectors. Promote in a pilot, the design and implementation of a self-assessment based property tax system. (Is being implemented under MIDAS Policy Component)

Note 31 – Effective Implementation of and Response to the Opportunities Provided by a Free Trade Agreement – This note covers the development of insurance and financial derivatives markets for agriculture products. (Is being implemented under MIDAS Policy Component)

Note 32 – Improving rural transition strategies for regional economies potentially vulnerable to short-term income/employment shocks associated with trade liberalization. This note supports developing strategies to improve the competitiveness of those regions which are the most vulnerable to possible short-term income/employment shocks related to trade/investment liberalization processes. (Is being implemented under MIDAS Policy Component)

Note 33 – Seizing the New Opportunities Presented by Integration – Improve the capacity of Colombian institutions to promote compliance with international environmental standards. This note facilitates SME knowledge and compliance with critical technical norms/standards in the area of Environment. (Is being implemented under MIDAS Policy Component)

Note 34 – Effective Implementation of and Response to the Opportunities Provided by an FTA – This note deals with improving the capacity of key Colombian public and private sector institutions to develop and implement improved environmental regulations and effective monitoring and enforcement systems and practices, and improving oversight mechanisms for environmental licensing/permit systems. (Is being implemented under MIDAS Policy Component)

Note 35 – Effective Implementation of and Response to Opportunities Provided by an FTA – This note provides for strengthening the capacity of Colombian regulatory institutions; encouraging greater investment in energy and power services, and promoting effective competition and universal coverage.

This support effort is expected to promote the effective regulatory oversight of energy services and promote an improved market environment for the provision of reliable and cost-effective energy services; through implementation of a partnership program between key Colombian energy sector regulatory institutions and the United States Energy Association (USEA).

Note 36 – Effective Response to the Opportunities Provided by a Free Trade Agreement – This note deals with improving private sector knowledge and compliance with international standards in the pharmaceutical sector. (Is being implemented under MIDAS)

Note 37 – This is a Memorandum of Understanding (MOU) for the Colombia Regulatory Partnership between Comisión de Regulación de Energía y Gas, Superintendencia de Servicios Públicos Domiciliarios and US Energy Association.

Note 38 – Effective Implementation of and Response to the Opportunities Provided by a Free Trade Agreement – This note deals with improving the capacity of GoC institutions to monitor and enforce core intellectual property rights. USAID will provide manuals on core intellectual property rights in authorship and publication, the most common violations of these rights and related piracy practices and related audit/inspection and other core enforcement practices.

Note 39 – Effective Implementation of and Response to the Opportunities Provided by a Free Trade Agreement – strengthen capacity to improve banking and capital markets regulation in Colombia. This note supports a program of support for reforms which promote financial sector competition and universal banking; effectively address mandatory investment restrictions, financial transaction taxation issues, and other critical regulatory distortions which increase intermediation margins and limit deposit mobilization incentives; and promote development of a collateral and creditor rights regime that will increase access to financial services for SMEs and marginalized social groups.

Note 40 – Effective Implementation of and Response to the Opportunities provided by an FTA – This note supports training and technical support to strengthen responsible management of pesticides in vegetable producers to improve quality and protect consumers (SPS). (Is being implemented under MIDAS)

Note 41 – Implementation of Response to Opportunities provided by an FTA – This note deals with improved the capacity of key Colombian public and private sector institutions to develop and implement improved SPS monitoring and enforcement systems. GMP (good manufacturing practices) and HACCP verification. Good farm practices for milk production and standards related to Pasteurized Milk Order (PMO).

Note 42 – To promote effective implementation of the FTA, facilitating improved compliance/enforcement of Colombian labor laws and regulations. This will be supported through the development of an international best practices-consistent oral adjudication system for labor disputes resolved through the judiciary system designed to improve the efficiency characterizing the protection of fundamental labor rights in Colombia.

Note 43 – Effective Implementation and Response to Opportunities provided by an FTA – improve the capacity of key Colombian public and private sector institutions to develop and implement improved SPS standards. This note deals with improved monitoring and enforcement systems and practices in a manner that promotes effective compliance with the SPS standards and norms associated with an FTA. It provides for SPS procedures for registration, inspection and control of processed foods. Improve capacity of the Colombian Food and Drug Institute (Instituto de Vigilancia de Medicamentos y Alimentos – INVIMA) to develop, issue and implement regulatory guidelines.

Note 44 – Effective Implementation and Response to Opportunities provided by an FTA – This note provides for improving the capacity of key Colombian public and private sector institutions to develop and implement improved SPS monitoring and enforcement systems and practices to promote compliance with SPS standards and norms. It also provides support to effectively operationalize WTO-consistent SPS policy/regulatory framework established in SPS documents 3375 and 3376.

Note 45 – Effective Implementation of Response to Opportunities provided by an FTA. This note deals with improving the capacity of key Colombian public and private sector institutions to develop and implement improved SPS monitoring and enforcement systems and practices; in a manner which promotes effective compliance with the SPS standards and norms of the FTA. Provide TA/training for a pilot for establishing low-prevalence areas through adopting a Systems Approach for certification. Select areas with high export potential for fruits and vegetables.

Note 46– SPS standards – This note deals with setting up a Minor Crops Program (Is being carried out under MIDAS Policy Component)