

INTER-AMERICAN DEVELOPMENT BANK

HOW DO YOU SUPPORT AID-FOR-TRADE?

1. Do you provide support for the aid-for-trade initiative?

The Inter-American Development Bank (IDB) is the main source of multilateral development finance in Latin America and the Caribbean (LAC)¹. Concomitant with emerging demands in its borrowing member countries, the IDB has in recent years devoted a growing share of its financing to trade-related assistance, echoing a broader trend in aid flows across the world. Trade-related assistance, or Aid for Trade (AFT), encompasses both traditional trade-related capacity building and broader forms of assistance aimed at enhancing a country's capacity to trade. Since its creation more than forty years ago, the Bank has actively supported the development of trade-related infrastructure and supply-side capacities in its LAC member countries. Over the last decade, moreover, the Bank has built a solid track record in trade-related capacity building in LAC, developing both country-focused and region-wide approaches to the provision of such assistance. The IDB approach to aid for trade is framed by the Regional Integration strategy, which is one pillar of the institutional strategy of the Bank.

The main financial instruments to serve clients in trade-related matters are: a) the Trade Sector Facility that provides fast track approval for ordinary or concessional loans to strengthen the capacity of trade ministries and other trade-related institutions to formulate, negotiate and implement trade policy. Ten of the Bank's borrowing member countries have so far accessed the facility; b) the Facilitation of International Trade and Investment project cluster of the Multilateral Investment Fund, the aim of which is to foster greater participation of smaller enterprises in international trade and investment. Projects in this cluster support trade facilitation activities related to customs reform, technical standards and certification, as well as strengthening the private sector's participation in the formulation of trade policy. Many projects are regional, rather than national in scope; c) the Lending Program for Trade, Integration and Competitiveness, which allows a country to combine components of the Bank's policy-based, investment and technical assistance lending into a single loan operation to address the broader range of sectoral adjustments that it must make in the transition to freer trade; and d) the International Trade Finance Reactivation Program aimed at supporting the availability of trade finance.

1. The IDB has 47 member countries: **Borrowing member countries** are: Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad & Tobago, Uruguay, and Venezuela. **Non-borrowing member countries** include: Austria, Belgium, Canada, Croatia, Denmark, Finland, France, Germany, Israel, Italy, Japan, Korea, Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

2. How has this support evolved since the December 2005 WTO Ministerial Conference?

The IDB has been fully supportive of the Aid for Trade initiative since the creation of the WTO Aid for Trade Task Force in February 2006. Upon the request of WTO Director General and of the Chairman of the WTO Task Force the IDB produced in May 2006 the document entitled "Aid For Trade: The Inter-American Development Bank's Experience In Latin America And The Caribbean", which served as an input to the Task Force Recommendations to the WTO General Council in July 2006.

In partnership with the WTO, the OECD and other regional organizations the IDB actively promoted the Aid for Trade initiative in the region and emerged as the leading institution in the implementation phase. In June 2006, the President of the IDB, Mr. Luis Alberto Moreno, attended the meeting of the heads of Regional Development Banks in Montreal (Canada) in which they emphasized their institutional commitment to the AFT initiative and stressed their endeavor to strengthen inter-institutional coordination to effectively deliver Aid for Trade, in the spirit of the Paris Declaration on Aid Effectiveness. In September 2006, President Moreno convened at IDB Headquarters in Washington D.C (USA) a meeting of the heads of the IMF, the World Bank and the World Trade Organization. In this meeting, held in the context of the hemispheric session of the vice-ministerial Regional Policy Dialogue on Trade and Integration, participants reiterate political and institutional support to the AFT initiative and analyzed ways to move forward into the implementation phase.

Finally, in September 2007, the IDB, the WTO and the government of Peru organized the Regional Meeting on Aid for Trade in Lima (Peru), which brought together for the first time, finance and trade ministers, senior donor representatives, regional institutions and key private-sector actors to focus on trade-related challenges in the region, and to set out priorities for future action. The purpose was to highlight the LAC dimension of AFT and to encourage governments, donors and the private sector to address specific challenges, to prioritize needs, and to move towards shared solutions. For that meeting the IDB prepared a background report titled "Mobilizing Aid for Trade in Latin America and the Caribbean" and provided technical assistance to governments which prepared cases studies on national, regional and private sector approaches to aid for trade. The proceedings of the Regional Meeting will be presented at the WTO Global Aid for Trade Review in Geneva on November 2007.

3. How does this support address regional aid-for-trade challenges?

The IDB programs the provision of lending operations, technical assistance and non-financial products with national and sub-regional strategies. The IDB has a long standing tradition in programming activities at the regional level, with particular emphasis on trade-related issues. In the context of the institutional realignment the IDB is committed to increase the effectiveness of its regional strategies. Regional strategies are based on diagnosis of common regional development problems and guide the identification, origination, design and development of regional programs and activities, which are then implemented mainly through grants and direct non-financial support. Regional lending operation are very limited owing to the difficulties in securing appropriate guarantees for multi-country loans. The Bank has therefore been a pioneer in developing a grant facility aiming at promoting the provision of regional public goods.

A important share of IDB trade-related technical assistance programs are regional in nature. The Regional Technical Cooperation (RTC) Program has traditionally been the main instrument to deliver grant resources on a regional basis. In 2004, the Regional Public Goods initiative was launched aiming to support the development of goods, services, rules systems or policy regimes that generate shared benefits for the participating countries as a result of cooperation and collective action by those countries. The IDB provides non-reimbursable resources of up to US\$10 million a year to finance demand-driven projects that develop regional public goods in the region. In addition the Bank has

supported a number of regional initiatives such as the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). Launched in 2000, IIRSA supports the development and integration of energy, transport and telecommunications infrastructure across 12 South American countries to facilitate trade integration both intra-regionally and with the rest of the world. Likewise the Puebla-Panama Plan (PPP), launched in 2001, seeks to improve the trade, growth, and economic development potential of southern Mexico and Central America. The PPP focuses on a number of areas, including trade facilitation, infrastructure development (roads, energy, telecommunications), and tourism services.

HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?

SCOPE

4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?

The IDB does not have an official definition of aid for trade. Since the foundation of the Bank, traditional lending, technical assistance and non-financial instruments were used to support the very elements of what is today perceived as the broader Aid for Trade agenda, including trade-capacity building, infrastructure development (transport, energy and communications) and strengthening of countries' productive capacities. The Bank also has a track record in providing adjustment-related lending, some of which has been directly related to trade. The Bank has constantly strived to adapt its products and operations to the needs of its clients. Given the prominence of the trade-related agenda for LAC, in the 1990s it began to build institutional capacity and deepen its operational support in the area of trade-related capacity building. The Bank also began to explore ways of better linking the various components of trade-related assistance (capacity building, supply-side development and adjustment), and to design new grant and lending instruments to this effect.

METHODOLOGY

5. How do you allocate the aid-for-trade share in individual projects and programmes?

The identification and measurement of aid for trade is conducted on a case-by-case basis with the objective of providing information to the OECD/DAC Trade Related Capacity Building Database. In the case of larger multi-sectoral lending and technical assistance projects, only the specific components directly related to trade are considered and reported as aid for trade. The IDB definition also includes ordinary administrative budget resources dedicated to finance the production of trade-related non-financial products, such as direct technical assistance, research, publications and outreach activities.

COMMITMENTS

6. According to your aid-for-trade definition, what were your programmes by category for the period 2002-2005 and in particular for 2005?

According to the OECD/DAC Trade Related Capacity Building Database Report (DCD/DAC(2007)19) based on IDB data submission the Bank has TRTA/TCB commitments for 2005 US\$24.1 millions for Trade Policy and Regulations and US\$206.3 million for Trade Development. The definition includes both concessional and non-concessional lending and technical assistance grant resources.

FINANCING

7. Describe any aid-for-trade programmes you have initiated since the December 2005 WTO Ministerial Conference.

According to the IDB report to the OECD/DAC Trade Capacity Building (TCB) Database between in 2006 and 2007 (until august) the IDB approved more than 100 aid for trade programs. A complete description of the projects exceeds the scope of this review.

Examples of projects include: a technical cooperation project titled “Support for Mobilizing the Aid for Trade Initiative in Latin America and the Caribbean” financed by the IDB-Canada Trade Fund and Trade and Poverty Trust Fund (DFID) to raise awareness on the AFT initiative among LAC policymakers, provide on-the-job training to public officials and support governments, donors and the private actors to identify mechanisms to better address specific trade-related challenges, prioritize needs, and move towards shared solutions under the AFT initiative; a project titled “Strategy to Strengthen Trade Logistics and Trade Facilitation” financed by Canada Trade Fund for Barbados to prepare an assessment of the current efficiency and effectiveness of trade logistics and trade facilitation practices in Barbados, and to recommend specific actions based upon international best practices; a grant titled “Opportunities and Technical Requirements for gaining market access under the CAFTA-DR FTA” approved for Dominican Republic with the objective of increasing competitiveness and export capacities of SMEs in the agribusiness sector. In addition, several loans under the Trade Finance Facilitation Program has been approved, Banco del Pichincha in Ecuador, Davivienda in Colombia, Banco Nacional de Costa Rica, Banco Pine from Brazil, Interbank from Peru among others.

8. What is your financial plan for aid-for-trade?

IDB lending and technical assistance plan is driven by the demand of clients countries.

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE PROGRAMMES?

MAINSTREAMING

9. How do you ensure that aid-for-trade is effectively integrated in your overall development programming both at head quarters and in-country?

The economic and sector work prepared as a background of IDB Country and Regional strategies systematically includes a detailed analysis of trade-related issues. The Integration and Trade Sector of the Bank prepares diagnostic trade and integration studies, technical notes and policy briefs. These products are used to prepare policy dialogue documents that serve as a basis for consultations with governments (or regional institutions in the case of regional strategies), for the design of the Country or Regional strategies and for the identification, origination and development of specific operations.

10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?

Starting in 2006, the IDB has implemented a realignment process to adapt to changing global economic conditions and new opportunities and challenges that the Bank faces in supporting the region. Under the new Bank’s structure the Integration and Trade Sector will lead the Bank’s integration and trade agenda. Its expanded mandate is to generate knowledge and operational

solutions in areas which reflect the broad definition of AFT, namely: general integration and trade matters, trade facilitation, customs, standards, trade capacity building, export promotion and foreign investment attraction, global productive chains, trade agreements (negotiation, implementation and adjustment), regional integration and cooperation, and policy coordination. The activities of the Integration and Trade Sector are strengthened by the operation of the field-based Institute for the Integration of Latin America and the Caribbean (INTAL). The realignment also mandated an expansion of the human resources of the Integration and Trade Sector both in Headquarters and Country Offices. Also, the realignment process has enhanced Trade and Integration Sector coordination with other Sectors at the Bank to develop comprehensive aid for trade programmes such as trade finance, adjustment and social programs, trade related infrastructure and trade facilitation, among others. Through the Integration and Trade Sector, the Bank is in an excellent position to provide the countries of the region with the technical and financial assistance needed to successfully mainstream Aid for Trade into their development agendas.

OWNERSHIP

Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.

11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?

The Country and Regional strategies of the Bank systematically address issues related with the trade and integration agendas of client countries. The specific mix of lending, technical assistance and non-financial products proposed to client countries depends on the importance of trade-related issues in national development strategies.

12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?

The IDB organizes annual Regional Policy Dialogues on Trade and Integration with regional and sub-regional sessions. These official's dialogues created a trade forum or network through which LAC countries could share experiences, learn about practices outside the region, and explore opportunities for regional cooperation in areas related to trade. The Regional Policy Dialogue meetings bring together vice-ministers and other senior trade officials from LAC countries to explore pressing trade issues, based on a previously-agreed agenda and technical work prepared by the Bank.

In the context of the design of country strategies the Bank organizes meetings (known in Spanish as *encerronas*) with political executives and high level officials to discuss the development issues and operational priorities for the Bank. Trade-related issues are systematically included in these high level policy dialogues. Policy dialogues are followed by consultations at the technical level throughout the implementation phase of the programming cycle.

ALIGNMENT

Refers to donors basing their overall support on partner countries. national development strategies, institutions and procedures.

13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?

IDB lending and technical assistance operations are demand driven and systematically use policy planning and budget frameworks of client countries. Only a reduced number of small technical assistance project financed with grant resources are executed outside of this framework.

HARMONISATION

Refers to donors. actions being more harmonised, transparent and collectively effective.

14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?

In the last decades the IDB emerged as a leader in trade issues in the region and has developed a number of partnerships with other development organizations framed in Memorandum of Understandings. In the area of knowledge generation the IDB participates in a number of initiatives aiming at producing joint research programs and at sharing knowledge in trade-related areas.

At the operational level coordination occurred mainly with bilateral donors that channeled trade-related assistance via the IDB through Trust Funds. The two main trade-related trust funds are i) IDB-Canada Trade Fund, established in 2003, provides grants to relevant ministries or regional agencies to support trade-related capacity building programs and ii) the Trade and Poverty Trust Fund, established in 2005 as a multi-donor trust fund with an initial endowment of the United Kingdom (DFID), supports Bank efforts to respond to increased demands for analysis of the distributional effects of trade integration, as well as the formulation and implementation of strategies, policies and instruments aimed at enhancing the impact of trade integration on the poor.

15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)

The IDB recognizes the strategic importance regional programs. In line with country and regional demand, it is committed to expand the allocation of resources to regional programs and to design new instruments for this purpose. Nevertheless, the actual allocation of IDB resources is demand-driven by national and regional strategies priorities.

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?

IDB operation systematically include a logic framework that sets goals, objectives and indicators to measure performance at the level of projects and components of the programs. Progress towards development and operational goals is measured quantitatively and qualitatively with Project Performance Monitoring Reports. Final development outcomes of projects are reported on Project Completion Reports.

17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?

The Office of Evaluation and Oversight (OVE) is responsible for conducting Country Program evaluations; policy, strategy, thematic and instrument evaluations; and oversee the Bank's internal

monitoring and evaluation system, processes and instruments. OVE also conducts oversight reviews of corporate strategy, processes and instruments; provides normative guidance on evaluation issues; and contributes to evaluation capacity building in the region. It also conducts ex-post project evaluations.

18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?

Specific trade-related activities are not undertaken at the present moment.

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?

Activities are not undertaken at the present moment.